



Annual Report 2021

Year ended March 31, 2021

 **JAPAN POST BANK**

PURPOSE

We aim for the happiness of customers and employees, and will contribute to the development of society and the region.

(The Management Philosophy of JAPAN POST GROUP)

MANAGEMENT PHILOSOPHY

We aim 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.

EFFICIENCY

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

EXPERTISE

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

MISSION

Providing “reliable and thorough” financial services “safely and securely” to anyone and everyone throughout Japan.

Contributing to the development of regional community economies by enhancing funds flow to, and relationships with, communities using various frameworks.

As one of the largest institutional investors in Japan, JAPAN POST BANK will work to both realize sound and profitable operations, and contribute to the realization of a sustainable society.

Realizing both the enhancement of corporate value, and contributing to the solution of social issues such as SDGs (ESG management)

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Disclosure document

	Financial information	Financial x Non-financial information	Non-financial information
Legal disclosure	Composition of Capital Disclosure	Securities Report Annual Report	—
Exchange system disclosure	Summary of Financial Results (Kessan Tanshin)	Timely disclosure	Corporate Governance Report
Voluntary disclosure	Selected Financial Information	IR information website	ESG/CSR information website

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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.

Target Period

Operating performance for the fiscal period from April 1, 2020 to March 31, 2021. 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, 2021, 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.

Management Commitment

Our Commitment

To become a more trusted company, we will realize customer-oriented business operations while linking them to an increase in corporate value.

JAPAN POST BANK possesses unparalleled features, such as Japan's largest customer base, a nationwide post office/ATM network, and the country's largest financial base. To realize "customer-oriented business operations" and become a trusted company, we will work on sustainable organizational reforms and the strengthening of our internal control systems while promoting initiatives unique to the Bank, such as contributing to local communities by taking advantage of these characteristics. We, the directors of JAPAN POST BANK, will do our utmost to meet the expectations of our stakeholders while continuously creating and returning to them corporate value and social value.



From left: Hiroya Masuda, Atsuko Onodera, Kenzo Yamamoto, Risa Aihara, Keisuke Takeuchi, Katsuaki Ikeda, Ryoji Chubachi, Makoto Kaiwa, Hiroshi Kawamura, Susumu Tanaka, Shihoko Urushi, Norito Ikeda

Messages from Outside Directors



Katsuaki Ikeda
Outside Director

Toward further enhancements of the Board of Directors

In formulating the Medium-term Management Plan that started from FY2022/3, the Board of Directors actively held discussions on strategic aspects, such as a new business model, to respond to the harsh business environment of the banking industry. This is a move forward from the conventional function of the Board of Directors, which is to focus on monitoring management from the outside (director) perspective, and I feel that a form of the Board of Directors is emerging in response to the new era. I hope this will be even more fulfilling.



Ryoji Chubachi
Outside Director

Toward a robust JAPAN POST BANK

JAPAN POST BANK has been used by many customers as a safe, secure and familiar financial institution. The trust of customers that has been cultivated over many years is of the greatest value to JAPAN POST BANK. I would like to contribute from an ESG perspective, especially in terms of governance, so that we can maintain and develop this brand power. My hope is that JAPAN POST BANK will become a robust and sustainable financial institution.



Risa Aihara
Outside Director

Provide digital services that meet our customers' needs

Amid rapidly accelerating digitalization, expanding services that can be readily used by all customers, while ensuring safety and security, is an important target in Japan Post Bank's Medium-term Management Plan. As society becomes more digitalized, I can contribute to creating value for the Bank with my expertise in the internet service business serving consumers directly. I can also support the Bank to be in tune with the environment and fulfill the needs of each customer without exposing technological divides.



Hiroshi Kawamura
Outside Director

Aiming for JAPAN POST BANK that contributes to happiness

As the most accessible and trustworthy bank in Japan, the roles required of JAPAN POST BANK include providing "safe and secure" as well as "reliable and thorough" financial services to everyone throughout the country and contributing to the development of society and the region. Since compliance is a prerequisite for the Bank to fully fulfill its role in social change, to be more trusted and to develop, I would like to make use of the knowledge and experience I gained as a legal professional, including in legal amendment work, to help realize the ideal JAPAN POST BANK.



Keisuke Takeuchi
Outside Director

Contributions to vitalization of communities

Funds flow to the regions and enhancing regional relationship is one of the important basic policies of the Medium-term Management Plan launched in FY2022/3. For about half a century, I was responsible for construction projects in fields such as energy, chemical, and life sciences in Japan and subsequently acted as principal corporate management of the company. Utilizing of the knowledge gained from that experience, I will make efforts to bring the key strategies to fruition but especially focusing on contributions to vitalization of communities through funds flow to the regions.



Makoto Kaiwa
Outside Director

Become a bank trusted by regional communities

Possessing a nationwide network, JAPAN POST BANK serves as a form of financial infrastructure that supports local lives and livelihoods. Additionally providing attractive services to its customers, high levels of commitment to public service and trustworthiness are therefore required. Previously, I had been constantly prioritizing how to gain and maintain the trust of local communities and customers in a community-based electric power generation company. I would like to draw on that experience in the development of JAPAN POST BANK.



Kenzo Yamamoto
Outside Director

Anytime, anywhere, anyone

Finance is evolving on a day-by-day basis. JAPAN POST BANK's goal of providing financial services "to anyone and everyone throughout Japan" will also continue to evolve. In addition to the services of its post office network that extends across the nation, the power of digital technology has made it possible to provide financial services that can be used from home 24 hours a day, 365 days a year. I will fulfill the responsibilities of an independent outside director so that anyone can use a variety of financial services on which priority has been given to ease of use, safety and security.



Shihoko Urushi
Outside Director

Serving as a platform to vitalize the regions

In a declining population, there is an increasing necessity to connect regions and to connect and utilize the abilities of each and every individual. Under such circumstances, JAPAN POST BANK is being called upon to fulfill its role as a co-creation platform that supports customers and underpins regions throughout Japan. From my experience from having been involved in girls' education and educational reform for many years, I will contribute to the development of human resources and the promotion of diversity toward the creation of an organization that makes the best use of the strengths of each and every individual.

Message from the President



Norito Ikeda

Director, President and
Representative Executive Officer

In 2021, the JAPAN POST Group is marking 150 years since its founding in the postal business. 146 years have passed since its establishment when, in line with the times, the postal savings system changed from state to private ownership, but its mission of “creating a form of social infrastructure that everyone can use fairly” has continued to be handed down to this day.

This year, the Bank reaffirmed the significance of its purpose of existence—“We aim for the happiness of customers and employees, and will contribute to the development of society and the region”—and formulated its new Medium-term Management Plan in anticipation of future changes in the external environment.

My vision for JAPAN POST BANK

Since I was first appointed president in April 2016, I have been searching for a business model unique to JAPAN POST BANK in the belief that the Bank’s strengths have included its network of post offices all over Japan, possessing the largest number of customer accounts in Japan, and its world-leading financial resources. The first thing I worked on was alliances with regional financial institutions. It took some time to gain their understanding, but I feel that, little by little, I was able to get them to understand my thoughts. Especially at the time of the Kumamoto earthquake, the time when I participated in the regional vitalization fund for support is clearly engraved in my memory. In establishing the reconstruction fund, we received invitations from various parties to join us, and realized that we can contribute to the region through this project as the first investment project. Since then, the number of regional vitalization funds has gradually expanded to each region, increasing to 32*. We will continue to contribute to the circulation of funds to the region through cooperation with regional financial institutions in all prefectures.

The origin of my commitment to the regions comes from my experience in Yokosuka, Kanagawa Prefecture, which is my hometown. When I was a student, I saw my friends unable to find employment because we did not have any local industry, and I harbored thoughts that I somehow had to bring about the development of industry locally. This led to my strong desire to assist in the revitalization of the regions. I now feel that it was my destiny to be involved in revitalizing local economies through the banking business.

In formulating the previous Medium-term Management Plan (FY2019/3 through FY2021/3) in 2018, I earnestly faced the proposition of what kind of form we should take to contribute to the enhancement of the Bank’s corporate value and the development of society. In doing so, a new awareness was the magnitude of the influence the Bank wields. The ripples caused by our every move spread throughout Japan and, for better or for worse, make a great difference to the environments of many consumers. It was for that very reason that I vowed that we must take the time to think about our future and that we must shape our future image in anticipation of the next 10 years while listening carefully to the opinions of our stakeholders, including our customers.

We have now launched our new Medium-term Management Plan (FY2022/3 through FY2026/3). So that ultimately everyone can be convinced, and in showing everyone the future ideal for the unwavering JAPAN POST BANK, we recognize that these next five years represent an extremely important period. To that end, we will execute strategies that leverage the Bank’s strengths to the maximum extent and steadily produce results, while carrying out flexible management that is in keeping with the business environment and meets customer needs. It has been 14 years since privatization, and the awareness that “we must not remain as we are” and that “we must change and evolve” has become firmly deep-rooted. I recognize that it is my most important role as president to remain a driving force to further accelerate the Bank’s progress, which has been moving ahead step by step in the past few years.

* As of March 31, 2021

Medium-term Management Plan (FY2019/3 through FY2021/3) that solidified forward-looking foundation

With regard to the previous Medium-term Management Plan (FY2019/3 through FY2021/3), we looked 10 years ahead, firstly laid the foundations and then set three pillars and promoted a raft of key measures, the basic idea having been to build the systems to secure net income of around ¥280 billion.

The first way was the “provision of high-quality, customer-oriented financial services.” As a result of enhancing services to customers and working to secure second and third revenue sources, profits from net fees and commissions in FY2021/3 increased by 32% compared with FY2018/3, and we were able to achieve the Medium-term Management Plan target.

The second pillar is “funds flow to regional communities.” In addition to making 32 investments in the regional vitalization fund while collaborating and creating connections with regional financial institutions, we are promoting initiatives to revitalize the regional economy, such as ATM collaboration with regional financial institutions and joint administration. For the future, we also focused on human resource development, such as sending 28 employees to an investment company during the period of the medium-term management plan.

The third way was “diversification and sophistication of investment management.” Amid the ongoing low interest rate environment, we accelerated the paradigm shift in market management to improve profitability under appropriate risk management. Specifically, as of March 31, 2021, the balance of risk assets was ¥91.1 trillion, of which the balance in strategic investment areas, such as private equity and real estate funds, was ¥4.2 trillion. Since starting our efforts to improve operations, the number of staff involved in market operations has increased by about 120 to approximately 360.

TARGETS AND RESULTS

	Items	Mid-term targets (2021/3)	Results (2021/3)
Profit targets	Ordinary income (consolidated basis)	¥390.0 billion	¥394.2 billion
	Net income (consolidated basis (attributable to owners of parent))	¥280.0 billion	¥280.1 billion
Retail	Assets under management	Around ¥+1.8 trillion in 3 years	¥+9.0 trillion in 3 years
	Balance of investment trusts	Around ¥+1.7 trillion in 3 years	¥+0.9 trillion in 3 years
	Net fees and commissions (compared to FY2018/3)	+30%	+32%
Investment	Balance of risk assets	Around ¥90 trillion*	¥91.1 trillion
	Balance of strategic investment areas	Around ¥4 to 5 trillion*	¥4.2 trillion
Costs	Predetermined expenses (compared to FY2018/3)	¥ (30.0) billion	¥ (58.2) billion
	Administrative efficiency (compared to FY2018/3)	Equivalent to (2,000) people *	Equivalent to (2,533) people
Shareholder returns	Dividends per share	Secured 50 yen in 3 years	Implemented 50 yen dividends
Capital adequacy ratio	Capital adequacy ratio	Approx. 10% (Levels to be secured)	15.53%

* Values following review changes published in May 2019.

Deepening trust, and taking on the challenge for financial innovations based on the new Medium-term Management Plan (FY2022/3 through FY2026/3)

Currently, the business environment surrounding the domestic manufacturing industry is changing dramatically enough to be described as the Fourth Industrial Revolution. Under these circumstances, to continue to grow, create social value, and enhance corporate value necessitates making full use of the Bank’s strengths and management resources. For that reason, we conducted lively discussions and considered optimal strategies, focusing on regional co-creation, management centered on the realization of regional financial platforms, business that integrates the real and the digital, including post offices and ATMs, and expansion into more sophisticated fund management areas. Then, in May 2021, we announced our new Medium-term Management Plan, covering the period from FY2022/3 to FY2026/3.

This plan’s slogan is “Deepening trust, and taking on the challenge for financial innovations.”

Based on the “five key strategies” that are the core of achieving this goal, we will aggressively promote business model reforms and strengthen business sustainability, aiming to establish the significance of the Bank’s purpose of existence in Japan.

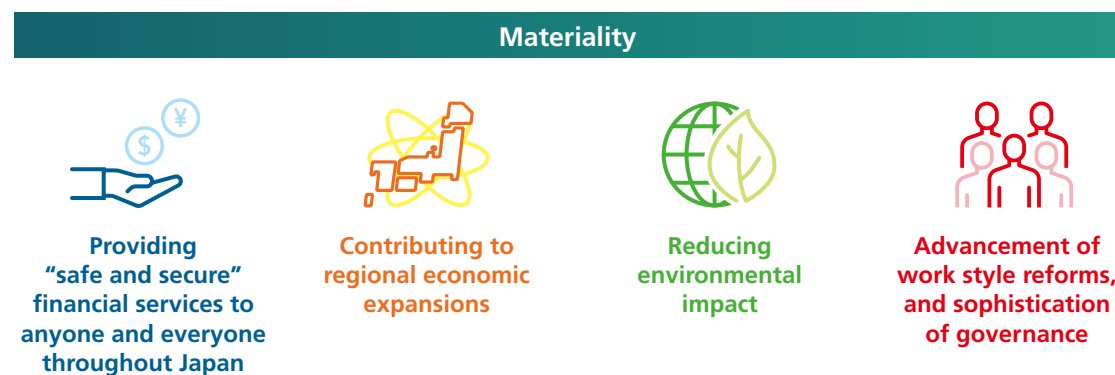
- KEY STRATEGY 1:** Innovating retail business into a new form by realizing complementarity between the physical and the digital P.32
- KEY STRATEGY 2:** Business reforms and productivity improvement through the active utilization of digital technology P.36
- KEY STRATEGY 3:** Enhancing funds flow to regional communities and the regional relationship functions through various frameworks P.38
- KEY STRATEGY 4:** Deepening market operations and risk management with an awareness of stress tolerance P.44
- KEY STRATEGY 5:** Strengthening the management base to become a more trusted bank P.46

In light of the issue of dealing with fraudulent use cases by malicious third parties with regard to cashless payment services last year, all executives and employees will realize customer-oriented business operations. To become a trusted company, we will promote sustainable organizational culture reforms and strengthen internal control systems, and all executives and employees will work together to take on the challenge for financial innovations.



Promote ESG management in the Medium-term Management Plan, while connecting ESG to corporate and social sustainability

We will strongly promote ESG management in the Bank's Medium-term Management Plan. In formulating the Plan, we set priority issues (materiality) to be addressed to realize a sustainable society.



These priority issues are closely connected to the priority strategies of the Medium-term Management Plan (FY2022/3 through FY2026/3), and we will respond to the priority issues by promoting the strategies and working to improve the KPIs we set as our goals. I am also of the belief that producing the results of these efforts will lead to the realization of the Sustainable Development Goals (SDGs) adopted by the United Nations.

In particular, "contribution to regional economic development" is an area that can play a major role for the Bank, which has networks all over the country. As part of this, after participating in the first regional vitalization fund in 2016, the relationship of trust with regional financial institutions has dramatically strengthened, and there are new business opportunities such as plans to participate in PFI*. As it is expanding, we can expect even more contributions in the future. In April 2021, we are also promoting the strengthening of systemic aspects to accelerate our efforts, such as by newly establishing the Regional Relations Division.

Also recognizing climate change, which is becoming more serious with economic development, as one of the major risks, we are proceeding with scenario analyses in line with the TCFD recommendations to identify and disclose risks and opportunities. We have adopted a 46% reduction in FY2031/3, compared with FY2020/3, as our KPI for CO₂ emissions and, in addition to working together as a group, such as switching to renewable energy in the electricity contracts for each of our facilities, will promote ESG investment while contributing to the reduction of CO₂ emissions in society as a whole.

For us to achieve our goals through these activities, it is an absolute requirement for each and every employee to demonstrate his or her inherent strengths and enhance the Bank's overall capabilities as an organization. The key point in this is the promotion of diversity management. We consider the development of working environments where everyone can play an active role and fair evaluations/promotions as prioritized issues, and are working to raise the ratio of female managers and the number of men who take childcare leave. In the years to come, the management team will continue to be at the forefront of supporting all employees including the child-rearing and long-term care generations so that they can work actively and achieve results, in terms of the system and the organizational climate.

* Abbreviation of Private Finance Initiative. A method that conducts construction of public facilities, and other similar efforts, utilizing the funding and capabilities of the public.

Building a more transparent and sound governance system by utilizing the opinions of outside directors

The outside directors of the Bank comprise members with a wide variety of experience and knowledge, including those who have experienced problems as senior management members of listed companies, those who have outstanding knowledge in, for example, finance/accounting, legal affairs and finance, and those who are active in advanced fields.

In formulating the Medium-term Management Plan, we held discussions at Board of Directors' meetings on several occasions to fully incorporate valuable proposals from an external perspective. The debates were heated, and sometimes the opinions of some clashed with those held by others, creating a tense atmosphere. I, however, do think that thoroughly discussing what should be discussed and talking until you are satisfied most likely makes for an ideal relationship between outside directors and the executive side. Even though they have different ways of thinking about things, all of the Board of Directors' members are seriously involved in trying to make the Bank better. It is for that very reason that, even if they are directly opposed to a plan that the executive side is trying to move forward, the opinions of the outside directors can be respected and course adjustments made to reflect their ideas.

Including strengthening the management oversight function by such outside directors, the promotion of an increased level of sophistication in governance remains an indispensable element for the future development of JAPAN POST BANK and is set as one of the above mentioned priority issues (materiality). As a result of having been actively disclosing information to the outside and of having promoted the establishment of a system that complies with the Corporate Governance Code since its listing in 2015, the Bank's transparency has improved significantly in comparison with the past. As a member of the JAPAN POST Group, which began as a government agency and had a strong public sector identity, we recognize that being open and not hiding our business situation and risks are of the utmost necessity. People's interest is naturally high and banks are influential, so there are times when many people point out problems. However, by accepting this situation in an earnest manner and making use of any points arising in future management, I am confident that the soundness of the Bank will be higher than ever and that this will lead to greater trust from all our stakeholders.

In Conclusion

For the five years of the Medium-term Management Plan, we will ride the updraft on the dual wings of trust and challenge. It will be an extremely important period in which to assert the mission and significance of JAPAN POST BANK's corporate existence in Japan. With an eye on the future, we will place particular emphasis on building a foundation for services that can flexibly address evolving needs, including regional financial platforms. We will also give consideration to the development of new business fields. For that reason, we will form a corporate culture replete with an unhesitating spirit to face challenges, we will create many opportunities for growth, such as by appointing young employees to be those in charge of project operations, while also focusing on developing future management teams from a long-term perspective.

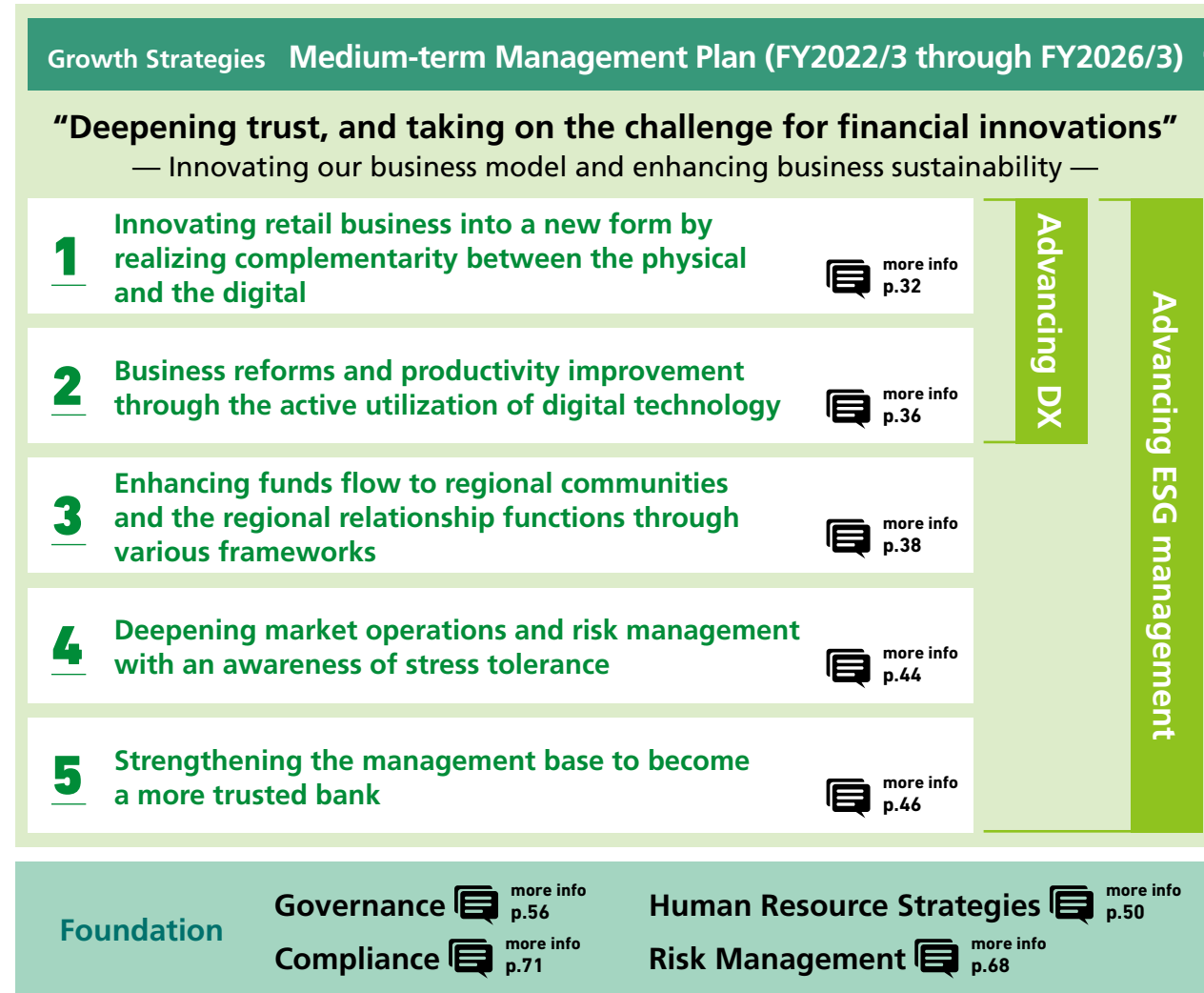
From the current fiscal year, ending March 31, 2022, onward, we will aggressively invest in growth fields. Although the Bank is operating in an adverse environment, if all executives and employees can unite and take on challenges, we will achieve our highest earnings since listing in FY2026/3, the final year of the Medium-term Management Plan. I believe that we can create new value for all our stakeholders. In the hope that they are as excited as I am about the Bank's future prospects, I would like to take this opportunity to thank our shareholders and investors and ask for their continued support and understanding in the coming years.

July 2021

Our Strengths

Value Creation Process

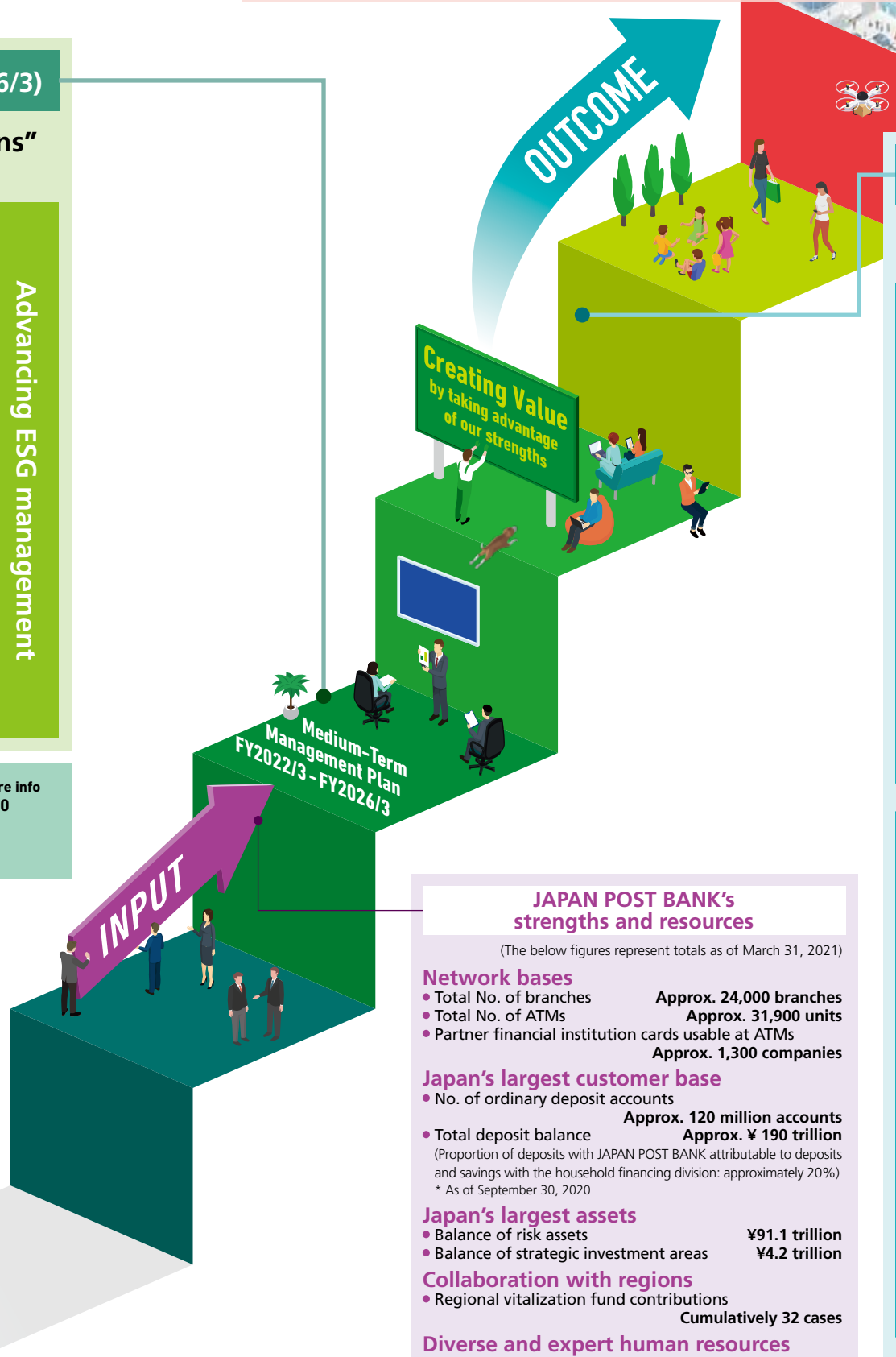
While revisiting the Bank's Purpose encapsulated in "We aim for the happiness of customers and employees, and will contribute to the development of society and the region," we will do our utmost to improve corporate value and create social value in awareness of future changes in the external environment.



Status of society	JAPAN POST BANK issues
<ul style="list-style-type: none"> Shrinking population, super-ageing society Diversification of lifestyles 	<ul style="list-style-type: none"> Providing customer-oriented services Expanding products and services
<ul style="list-style-type: none"> Local economic downturns 	<ul style="list-style-type: none"> Contributions to vitalization of communities
<ul style="list-style-type: none"> Digital innovation 	<ul style="list-style-type: none"> Creating new value Addressing the digital divide problem
<ul style="list-style-type: none"> Changing to new lifestyles 	<ul style="list-style-type: none"> Addressing no-contact and non face-to-face needs Security enhancements
<ul style="list-style-type: none"> The demands of realizing a sustainable society 	<ul style="list-style-type: none"> ESG management
<ul style="list-style-type: none"> Low interest rates becoming long-term, and increased risk of stress events manifesting 	<ul style="list-style-type: none"> Deepening market operations and risk management Enhancing the capital base

Purpose of JAPAN POST BANK

We aim for the happiness of customers and employees, and will contribute to the development of society and the region.
(The Management Philosophy of JAPAN POST GROUP)



Value Creation

Stakeholders
Shareholders/Customers/Regional communities/Environment/ Employees

Social value (Plan for FY2026/3)
Providing "safe and secure" financial services to anyone and everyone throughout Japan

- Number of accounts registered in the Yucho (Japan Post Bank) Bankbook App **10 million accounts**
- Number of Cumulate-type NISA Operation Accounts **400 thousand accounts**

Contributing to the development of regional community economies

- Regional vitalization fund contributions **Cumulatively 50 cases**
- Number of financial institutions that have aggregated operational processes **Roughly 20 financial institutions**

Reducing environmental impact

- CO₂ emissions reduction ratio (FY2031/3 targets /FY2020/3 comparison) **(46%)**
- ESG themed investment balance **¥ 2 trillion**

Advancement of work style reforms, and sophistication of governance

- Ratio of women in managerial positions **20%***
- Ratio of employees taking childcare leave (Regardless of gender) **100%**
- Ratio of employees with disabilities **2.7% or more**

* Goals for achievements by April 2026 [more info p.30](#)

JAPAN POST BANK'S strengths and resources
(The below figures represent totals as of March 31, 2021)

Network bases

- Total No. of branches **Approx. 24,000 branches**
- Total No. of ATMs **Approx. 31,900 units**
- Partner financial institution cards usable at ATMs **Approx. 1,300 companies**

Japan's largest customer base

- No. of ordinary deposit accounts **Approx. 120 million accounts**
- Total deposit balance **Approx. ¥ 190 trillion**
(Proportion of deposits with JAPAN POST BANK attributable to deposits and savings with the household financing division: approximately 20%)
* As of September 30, 2020

Japan's largest assets

- Balance of risk assets **¥91.1 trillion**
- Balance of strategic investment areas **¥4.2 trillion**

Collaboration with regions

- Regional vitalization fund contributions **Cumulatively 32 cases**

Diverse and expert human resources

Corporate value (Plan for FY2026/3)
(Consolidated Basis)

Profitability

- Consolidated net income **¥350.0 billion or greater**
- ROE (based on shareholders' equity) **3.6% or greater**

Efficiency

- OHR (Basis including gains (losses) on money held in trust) **66% or less**
- General and administrative expenses (compared with FY2021/3) **¥ (55.0) billion**

Soundness

- Capital adequacy ratio (domestic standard) **Approx. 10%** (Levels to be secured)
- CET1 (Common equity tier 1 capital) ratio (international standards) **Approx. 10%** (Levels to be secured)

Investment management

- Balance of risk assets **Approx. ¥ 110 trillion**
- Balance of strategic investment areas **Approx. ¥ 10 trillion**

Growth investments

- Strategic IT investments **approx. ¥130 billion over 5 years are planned**

Shareholder returns
In addition to securing the capital necessary for growth investments and to maintain soundness, we will strive to enhance shareholder returns [more info p.26](#)

The Path of Value Creation

Ongoing Ideas That Transcended the Times

The history of JAPAN POST BANK dates back to the Meiji Era with the founding of the postal money order service by Hisoka Maejima.

At that time, the spirit of Maejima, who aimed to build a form of social infrastructure that everyone could use fairly, was the basis of JAPAN POST's business and has continued to live on even after privatization from the state-owned era.



Hisoka Maejima's Credo

People often say that luck is luck, but luck passes before everyone in a fair and impartial manner. If it comes your way, there is no denying that luck can make a big difference. Use your head, be very careful, and good luck will come your way. Then do not hesitate to become a power behind the scenes. Always maintain a desire to be good to others.

Hisoka Maejima Founder

The father of the modern Japanese postal service (1835–1919)



郵政創業150年

150th Anniversary of the Foundation of the Japan Post Group

Maejima's credo is being handed down to future generations

1885

Ministry of Communications

- 1875
 - Postal money order service established
 - Postal savings service established
- 1885
 - Ministry of Communications established
- 1906
 - Money Transfer service established
- 1941
 - TEIGAKU (fixed-amount) deposits introduced

1949

Ministry of Posts and Telecommunications

- 1949
 - Ministry of Posts and Telecommunications established
- 1981
 - Automatic teller machines (ATMs) for postal savings introduced
- 1999
 - ATM/CD alliance service with private sector financial institutions launched

2001

Postal Services Agency

- 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)

- 2003
 - JAPAN POST (Nippon Yusei Kosha, government-owned corporation) established
- 2005
 - Taking of applications for sales of investment trusts began
- 2006
 - JAPAN POST HOLDINGS Co., Ltd. established as a preparatory company

JAPAN POST's Origins

Desire to build a form of social infrastructure that everyone could use in a fair manner

Cultural enlightenment Devised by Hisoka Maejima

It is thought that the cultural enlightenment movement in Japan during the Meiji Era was not just a superficial imitation of Western buildings and lifestyles, but also involved the acquisition of popular sovereignty, the spirit of democracy as well as the acquisition of Western knowledge and thinking. That the social infrastructure Maejima built is fair to everyone, that the principle is that it can be used freely and equally, is also reflected in his enthusiastic activities for education, such as in his establishment of a training school for the blind, participation in the establishment of the Tokyo Academy that became Waseda University, and the improvement of Japan's official writing system.

Creating a new country in the Meiji Era

The new Meiji government was looking for talented people to build a modern nation. Among them, Hisoka Maejima was a government official assigned to the Ministry of Popular Affairs and the Ministry of Finance office in charge of reform. The office was involved with the reform of the old feudal system and the making of plans to build a modern nation. It was, so to speak, a Meiji Era think tank, headed by the industrialist and later statesman Eiichi Shibusawa, and its members were talented people who had traveled abroad during the former Tokugawa Era.

Fact-finding trip to Britain

Immediately after preparation of the founding of the postal service in 1870, Hisoka Maejima traveled to Britain. In Britain at the time of the Industrial Revolution, the development of transportation and communication networks was remarkable, mail coaches covered the whole country, and major industrial cities were connected by railroads. Seeing how postal savings played a major role in the lives of the people and in the development of Britain as a nation, Maejima decided to implement these in Japan as well.



Hisoka Maejima during his visit to Europe
* Photo courtesy of Postal Museum Japan

Post offices in Britain also handled postal money order and postal savings services as well as conducting postal insurance business. Maejima spoke directly to post office staff during official visits and learned about the post office business by, for example, actually making use of it himself.

Postal money order and postal savings services

Maejima was already aware of the importance of remittances when the postal system was invented, but these could not be realized immediately due to a lack of funds. Finally, after the financial situation had improved, 110 post offices in Japan began handling postal money order services on January 2, 1875, and 18 post offices in Tokyo and one in the city of Yokohama began handling postal savings services on May 2, 1875.

2007

JAPAN POST BANK (Privatized)

- 2007
 - JAPAN POST GROUP established
- 2008
 - Investment in SDP CENTER Co., Ltd. (Currently JAPAN POST BANK LOAN CENTER Co., Ltd.)

2015

Shares listed on First Section of Tokyo Stock Exchange

- 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

2018

Medium-term Management Plan announced (FY2019/3 through FY2021/3)

- 2018
 - Established Japan Post Investment Corporation
 - Contract signed covering installation of Japan Post Bank ATM in Aozora Bank branches
- 2019
 - Launched transactions of "Yucho Pay" smartphone settlement service
- 2020
 - Launched "the Yucho Bankbook App" service

2021

Medium-term Management Plan announced (FY2022/3 through FY2026/3)

- 2021
 - Started handling new businesses: account overdraft lending services, housing loan business for individuals (Flat 35 loans), non-life insurance solicitation business

Our Strengths

The Path of Value Creation

Connecting the DNA of Trust, and Persistently Undertaking the Challenge of Innovation

Since establishing our postal money order and postal savings services, JAPAN POST BANK has changed its form throughout its history, first as a state-run enterprise and ultimately as a private company, yet our ambition to meet the expectations of our customers as a financial institution that supports society remains unchanged. We remain committed to maintaining the current value creation process as we continue to aim for the happiness of our customers and employees, as well as to contribute to the development of society and regional communities.

From 1875: Establishment of postal money order, postal savings, and money transfer services

Origin of our real-world network

In 1875, four years after we established our postal services, we initiated a postal money order service as a new means of transferring money, and that same year we launched postal savings services in both Tokyo and Yokohama. Later on, we began money transfer services in 1906. Over time, these services came to be handled by post offices located around the country, which formed the post office network bases.

Photo courtesy of Postal Museum Japan



From 1970: Postal Savings contribute to regional development as part of government investment and loan programs during Japan's period of high economic growth

Origin of the dominance of postal savings accounts over bank accounts nationwide

Along with income growth in Japan, postal savings became the receptacle for nest eggs. The number of accounts also exploded. Moreover, efforts to restore the deposit ledgers that had been damaged during World War II became a challenge, which led to greater mechanization of postal savings services.

Origin of regional community relationships

Postal Savings collected from around Japan were used in government investment and loan programs.* These programs were effectively employed to fund the public works projects that had become essential to society under Japan's industrial policies, social policies, and other policies intended to strengthen its economic foundation. Improv-

ing the social infrastructure was both a condition for growth and functioned to redistribute the benefits of growth to regional communities.

* Government investment and loan programs were government investment and lending financial arrangements that were carried out using different types of public funds as a financial resource to realize the government's policy goals. These public funds primarily included loans collected through national programs and bonds.

100 Years of Postal Savings Services

In 1975, we initiated the "Original Piggy Bank Design Contest" to commemorate the 100th anniversary of our postal savings services. Held for the 45th time during FY2021/3, the contest was originally launched for the purpose of improving formative creativity and stimulating interest in savings through the act of making piggy banks.

From 1978: Pursuit of convenience, including postal savings Automatic Teller Machine (ATM) services

Origin of the online network

In 1978, we introduced online postal savings services in stages, starting with Kanagawa Prefecture.

In 1980, we introduced cash dispensers (CDs) that enabled the use of ATM cards for making cash refunds, and in 1981 we launched ATM services that also enabled deposits.

In 1989, we set out to locate ATMs and CDs at all post offices, except for contracted post offices, and by 1995 we had installed approximately 21,700 ATMs and CDs in total.



From 1987: Realization of in-house postal savings investment management

Origin of fund management

As the influx of interest rate deregulation washed over Japan from the US and Europe, structural reforms in the financial system in part brought about major changes in the environment surrounding postal savings. In order to effectively address these transformations in the business environment, the system whereby deposit management of

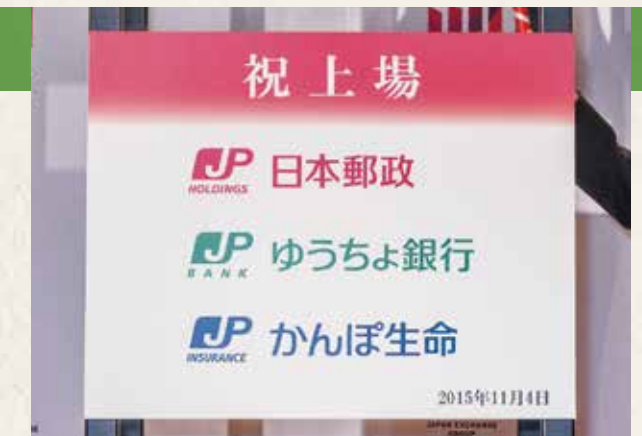
the total value of postal savings funds was handled by the Ministry of Finance was revised. In 1987, financial liberalization resources were placed in a Special Account for Postal Savings, while the Minister of Posts and Telecommunications was allowed to take control of management for ¥2 trillion worth of funds.

From 2007: Evolution towards development

Privatization and listing on the First Section of the Tokyo Stock Exchange

As a result of postal service privatization, in October 2007 we ended the role we had played for 137 years as a "state-owned enterprise." Having carried over the existing philosophy, we embarked on a commitment to further development as JAPAN POST BANK Co., Ltd.

In April 2015, JAPAN POST GROUP announced the JAPAN POST GROUP Medium-term Management Plan, and on November 4, 2015, JAPAN POST BANK was listed on the First Section of the Tokyo Stock Exchange.



From 2018: Aiming for sustainable growth for JAPAN POST BANK and society under the Medium-term Management Plan

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

Announced the Medium-term Management Plan centered on three key strategies (Provision of High-quality, Customer-oriented Financial Services; Funds Flow to Regional Communities; Diversification and Sophistication of Investment Management).

2021 Medium-term Management Plan announced (FY2022/3 through FY2026/3)

Announced the Medium-term Management Plan with the slogan of "Deepening trust, and taking on the challenge for financial innovations," formulated based on a revisit of the significance of our existence.

Our Strengths

Strengths Contribute to Sustainability for the Bank and Society

Customer Base

Innovating retail business into a new form by realizing complementarity between the physical and the digital

As part of the Bank's digital services, we are expanding services that all customers can readily use by continually improving UI/UX with a priority on safety and security. Moreover, we will promote the dissemination of our digital services by utilizing the post office network.

In terms of asset management consulting, we will provide more personalized life plan consulting services to our customers through face-to-face channels, and will develop an asset management platform that can be readily used by anyone through digital channels.

As a result of these moves, we will provide "reliable and thorough" financial services "safely and securely" to anyone and everyone throughout Japan.



Network Bases

Essential Social Infrastructure for Japan



Number of branches

23,815



Number of ATMs

31,901



Number of partner financial institution cards usable at ATMs

Approx. **1,300** companies



Number of ordinary deposit accounts

Approx. **120** million accounts

Branch network comparison (as of March 31, 2021)



Source: Japanese Bankers Association website "Financial Statements of All Banks (Capital, Number of Branches, Number of Banking Agencies, List of Officers of All Banks)"
 *1 The total number of banks in Japan is accurate as of September 30, 2020
 *2 Branch dot locations are for illustrative purposes only. For details on the number of branch and ATM locations by area, please see page 39.

Our Strengths

Strengths Contribute to Sustainability for the Bank and Society

Management Scale

Contributing to Growth and Society Through Sophisticated, Diversified Investment Management

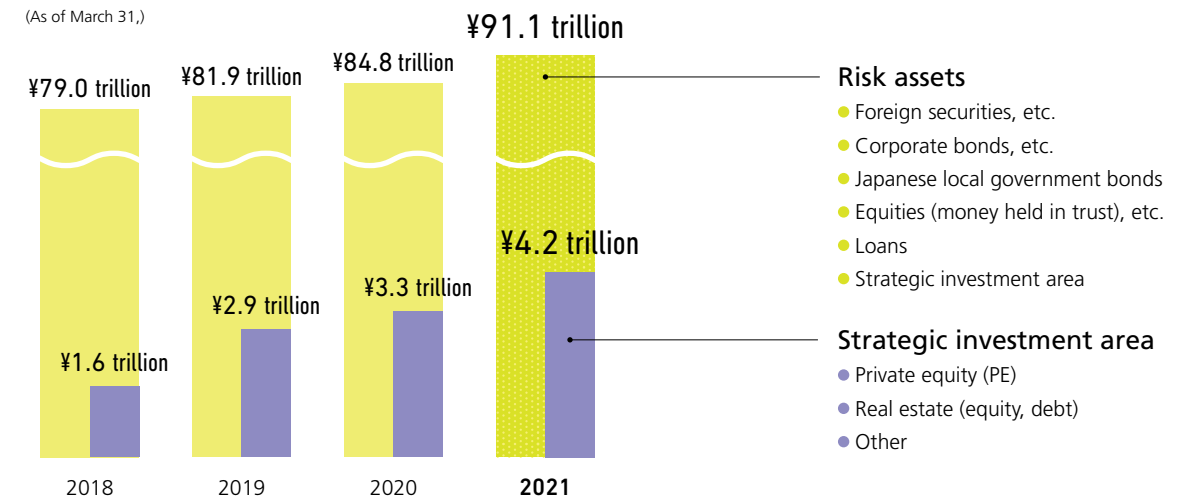
JAPAN POST BANK aims to secure stable earnings, even as uncertainty and volatility rises in the financial market, through the diversification and sophistication of investment management. The Bank has been enhancing its organizational strength by actively recruiting external professionals while training internal human resources to achieve this goal. These efforts have shown steady progress, and the Bank is refining itself towards emerging as a top tier investment firm in which external and internal human resources act as one.



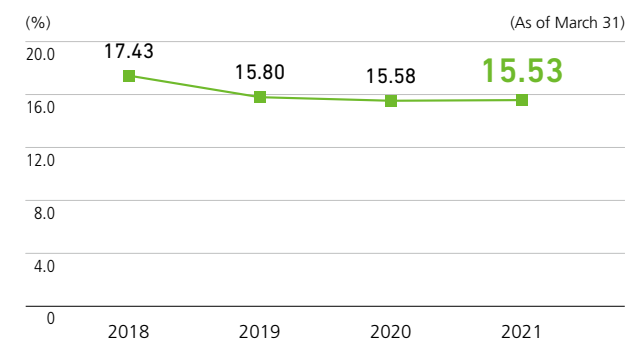
Promoting internationally diversified investments



The Bank promotes internationally diversified investments based on appropriate risk management in order to ensure stable profits. Our balance of risk assets, which had stood at ¥84.8 trillion as of March 31, 2020, increased to ¥91.1 trillion as of March 31, 2021. This included a balance of strategic investments of ¥4.2 trillion.



Capital adequacy ratio (Domestic Standard)



Credit Ratings

(As of March 31, 2021)

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

Investments for building a sustainable society

As stipulated in our ESG Investment Policy, JAPAN POST BANK is committed to making investments that take into account various forms of international agreements related to environmental issues, etc. We also invest in green bonds and social bonds issued by companies around the world based on appropriate risk management, and have established an ESG-themed investment balance target of ¥2 trillion for the end of FY2026/3, for the purpose of contributing to the realization of a more sustainable society.

ESG Investment Policy: https://www.jp-bank.japanpost.jp/en/csr/esg/env/en_csr_esg_env_investment.html

Our Strengths

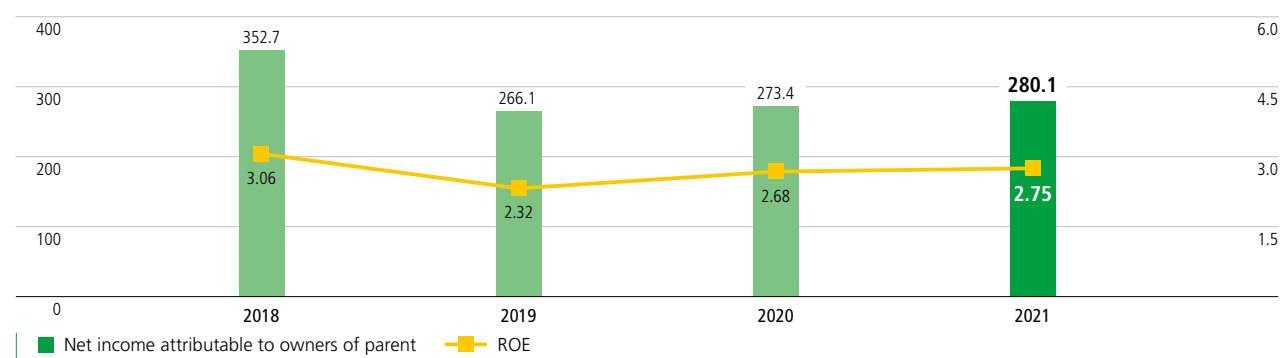
Financial Highlights (Consolidated) / Non-financial Highlights

Earnings Highlights

Consolidated net income totaled ¥280.1 billion, an increase of ¥6.6 billion year on year mainly due to the improved market environment and lower overheads.

Net income attributable to owners of parent / ROE (net asset basis)

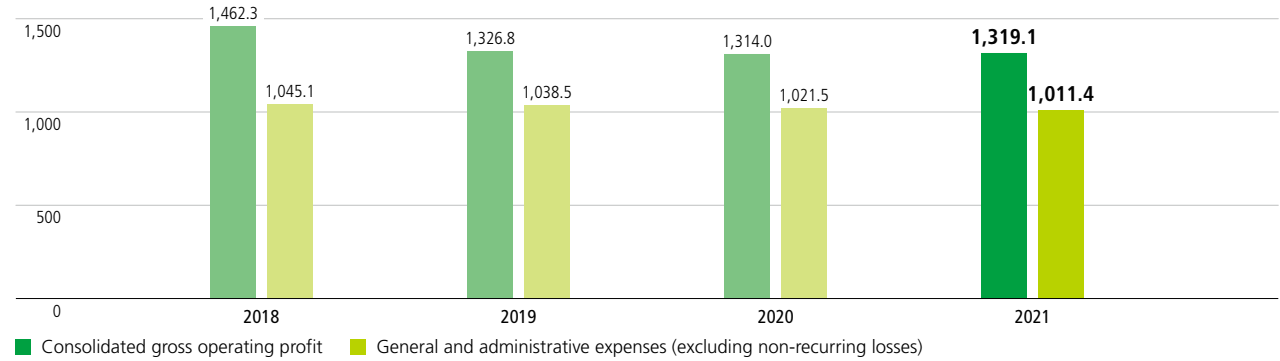
For the fiscal year ended March 31,
(¥ billion)



ROE has trended upward with the rise in net income since FY2020/3. We have established ROE (shareholders' equity basis) as a financial target under the Medium-term Management Plan (FY2022/3 through FY2026/3) with the aim of effectively using capital and increasing profitability.

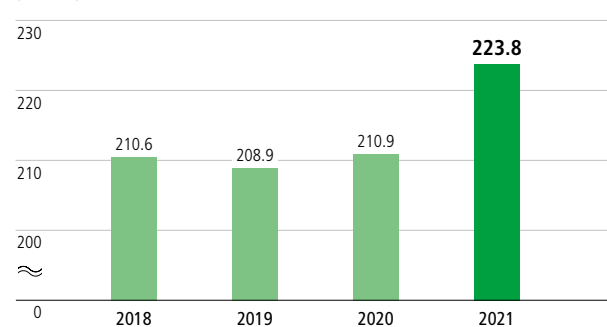
Consolidated Gross Operating Profit / General and Administrative Expenses

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



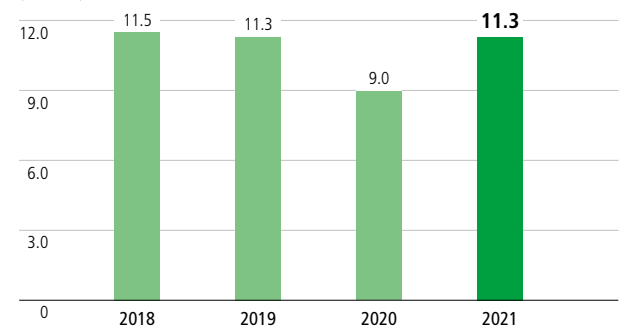
Total Assets

As of March 31,
(¥ trillion)

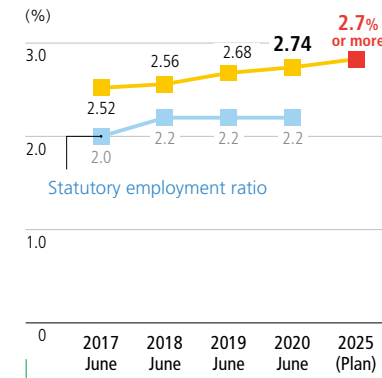


Total Net Assets

As of March 31,
(¥ trillion)



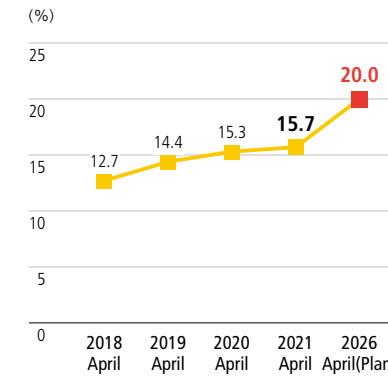
Ratio of Employees Who Are People with Disabilities



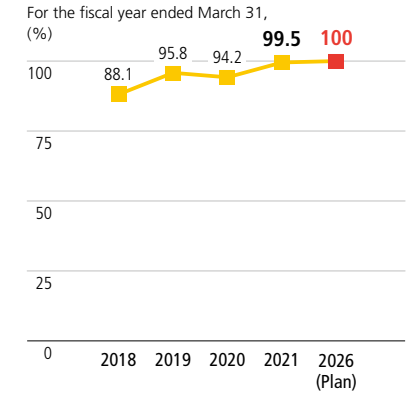
We have established targets for the ratio of employees with disabilities of 2.7% or more, ratio of women in managerial positions of 20%*, and ratio of employees taking childcare leave (regardless of gender) of 100% by 2025 with the aim of improving employee job satisfaction and promoting diversity management.

* Targets by April 2026

Ratio of Women in Managerial Positions

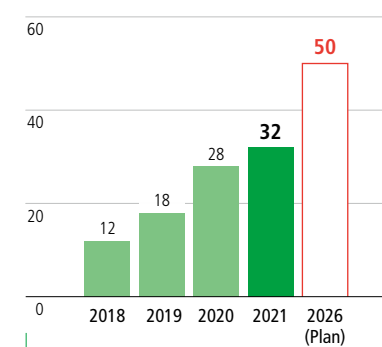


Ratio of Employees Taking Childcare Leave



Number of regional vitalization fund contributions (cumulative)

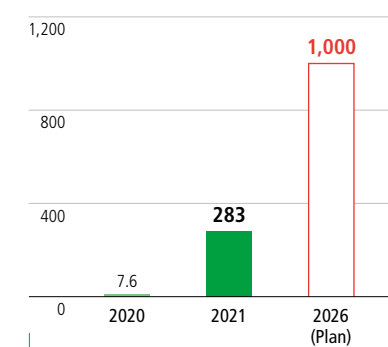
For the fiscal year ended March 31,
(Cases)



As one initiative to circulate funds to regional communities, we have established a target of regional vitalization fund participation cases of 50.

Number of accounts registered in the Yucho Bankbook App

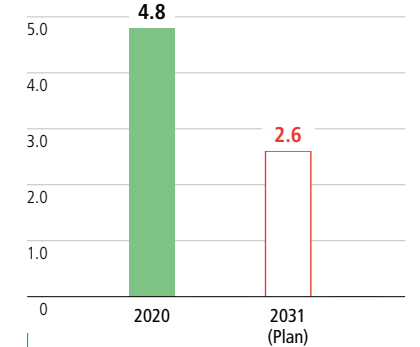
For the fiscal year ended March 31,
(10,000 accounts)



We have established the target for the Yucho Bankbook App at ten million accounts in order to promote digital services that are safe and convenient.

Volume of CO₂ emissions

For the fiscal year ended March 31,
(10,000t-CO₂)



We have set a target of reducing CO₂ emissions by 46% compared with FY2020/3 by FY2031/3 by switching to electricity with a low CO₂ emission factor at JAPAN POST BANK's facilities.

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.

THE INCLUSION OF JAPAN POST BANK CO., LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF JAPAN POST BANK CO., LTD. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Platinum Kurumin

In recognition of its activities of an even higher standard, JAPAN POST BANK was certified by the Ministry of Health, Labour and Welfare as a "child rearing support company" in February 2019.

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.

PRIDE Index Gold

In FY2021/3, JAPAN POST BANK was awarded the highest gold evaluation for the third year in a row 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.

2021 Certified Health & Productivity Management Outstanding Organization Recognition Program

JAPAN POST BANK believes that maintaining and promoting the mental and physical health of its employees while creating an environment in which they can work enthusiastically will contribute to the enhancement of corporate productivity and corporate value. Based on this, we are working on measures to maintain and improve employee health, and have also been certified by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi as a corporation that practices excellent health management under the "2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program."

Euronext Vigeo Eiris World 120 Index

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

Nikkei SDGs Management Survey

JAPAN POST BANK has been recognized as a 3.5-star entity under the second Nikkei SDGs Management Survey. The survey is a comprehensive examination of corporate attitudes towards solutions to environmental, social, and economic issues (contributions to the SDGs), as well as the details of SDGs-related businesses.

Nikkei Smart Work Management Survey

During the 4th Nikkei Smart Work Management Survey, which selects companies leading advances in productivity innovation through work style reforms, JAPAN POST BANK received 3.5 stars.

Value Creation

Medium- to Long-term Value Creation

Awareness of the business environment and business issues

The business environment in which the JAPAN POST BANK operates is undergoing major changes, including a declining population and super-aging society, shrinking regional economies, the progressing digital revolution, changing new lifestyles amid COVID-19, and the prolonging of the ultra-low interest rate environment.

Business Environment We Face	Business Issues
<ul style="list-style-type: none"> • Shrinking population, super-ageing society • Diversification of lifestyles 	<ul style="list-style-type: none"> ▷ Providing customer-oriented services ▷ Expanding products and services
<ul style="list-style-type: none"> • Local economic downturns 	<ul style="list-style-type: none"> ▷ Contributions to vitalization of communities
<ul style="list-style-type: none"> • Digital innovation 	<ul style="list-style-type: none"> ▷ Creating new value ▷ Addressing the digital divide problem
<ul style="list-style-type: none"> • Changing to new lifestyles 	<ul style="list-style-type: none"> ▷ Addressing no-contact and non-face-to-face needs ▷ Security enhancements
<ul style="list-style-type: none"> • The demands of realizing a sustainable society 	<ul style="list-style-type: none"> ▷ ESG management
<ul style="list-style-type: none"> • Low interest rates becoming long-term, and increased risk of stress events manifesting 	<ul style="list-style-type: none"> ▷ Deepening market operations and risk management ▷ Enhancing the capital base

Implementing the Medium-term Management Plan (FY2022/3 through FY2026/3) to solve issues

Overview of the Medium-term Management Plan (FY2022/3 through FY2026/3)

Deepening trust, and taking on the challenge for financial innovations

5 key strategic points

Innovating our business model and enhancing business sustainability

1 — Innovating retail business into a new form by realizing complementarity between the physical and the digital

- In addition to expanding digital services that put safety and security first, and can be readily used by all customers, we will promote the dissemination of digital services by actively utilizing our post-office network.
- We will develop an open, "Co-creation Platform" that actively utilizes our customer base and provides optimized services through collaborations with various business operators, including companies outside of the Group.
- After organizing our asset-management product line-up in our face-to-face channels into products suitable for JAPAN POST BANK's customer base, we will utilize post-office network to primarily promote cumulate-type investments to our beginner-level investment customers.
- In addition to providing transaction channels and methods that take into account our customers' needs, we will review and newly establish our fees from the perspective of providing stable services.

Advancing DX

2 — Business reforms and productivity improvement through the active utilization of digital technology

- We will establish self-processing of routine transactions (the teller tablet system, etc.), and, in tandem with our expansion of digital channels, we will advance the expansion of options for customer choices in transaction channels and the optimization of branch teller's work.
- We will reform work at our operation support centers by automating work operations in a comprehensive manner by combining digital technologies.
- In addition to assertive investments into focal areas such as DX advancement, we will drastically reduce predetermined expenses, including commissions paid to JAPAN POST and drastically reduce expenses overall.

3 — Enhancing funds flow to regional communities and the regional relationship functions through various frameworks

- We will contribute to the vitalization of regional communities by supplying assets (particularly equity funds) via various frameworks.
- We will address financial needs suited to the real conditions of each community as a "regional financial platform."
- We will work to develop new business opportunities that enhance regional relationship functions and actively utilize regional information.

4 — Deepening market operations and risk management with an awareness of stress tolerance

- While remaining aware of risk-adjusted return, we will expand our risk asset balances and strategic investment area balances.
- In order to prepare for the occurrence of stress events, we will develop stress-resistant portfolios and deepen our risk management systems.
- We will contribute to the realization of a sustainable society via ESG investments.

5 — Strengthening the management base to become a more trusted bank

- In order to become a bank that enjoys even greater trust from customers, we will advance sustainable reforms to our organizational culture and enhancements to our internal control systems.
- While maintaining a high-quality system base that can support trust in our Bank, we will assertively advance strategic investments in IT.

Advancing ESG management

Financial Strategies for New Growth



Financial targets

The JAPAN POST BANK is fulfilling its duty to provide universal services in finances while advancing efforts to improve profitability and efficiency in order to reach consolidated net income of over ¥350 billion in FY2026/3. The plan for FY2022/3 projects reductions in profit compared with FY2021/3 mainly due to a decrease in redemption gains on foreign bonds and revenue from Japanese government bonds. Thereafter, our plan is to take on the challenge of recording the highest profits in FY2026/3 since our listing by improving profits through full-scale realization of earnings in strategic investment

areas, expansion of net fees and commissions by reforming the retail business, and reduction of operating expenses by improving productivity.

Meanwhile, in order to ensure soundness, we have established a capital adequacy ratio (domestic standard) of approximately 10% and a CET1 ratio of approximately 10% as minimum levels to be secured in ordinary times. We will work to achieve improvements to our earnings by actively utilizing our capital and taking appropriate risks, while ensuring thorough financial soundness.

Financial targets			
Consolidated Basis	FY2021/3 Performance	FY2024/3 targets	FY2026/3 targets
Profitability			
Consolidated net income (attributable to owners of parent)	¥280.1 billion	¥280.0 billion or greater	¥350.0 billion or greater
ROE (based on shareholders' equity)	3.06%	3.0% or greater	3.6% or greater
Efficiency			
OHR (Basis including gains (losses) on money held in trust)*1	72.34%	72% or less	66% or less
General and administrative expenses (compared with FY2021/3)	—	¥(25.0) billion	¥(55.0) billion
Soundness			
Capital adequacy ratio (Domestic standards)	15.53%	Approx. 10% (Levels to be secured)	Approx. 10% (Levels to be secured)
CET1 (Common equity tier 1 capital) ratio (international standards)*2	14.09%	Approx. 10% (Levels to be secured)	Approx. 10% (Levels to be secured)

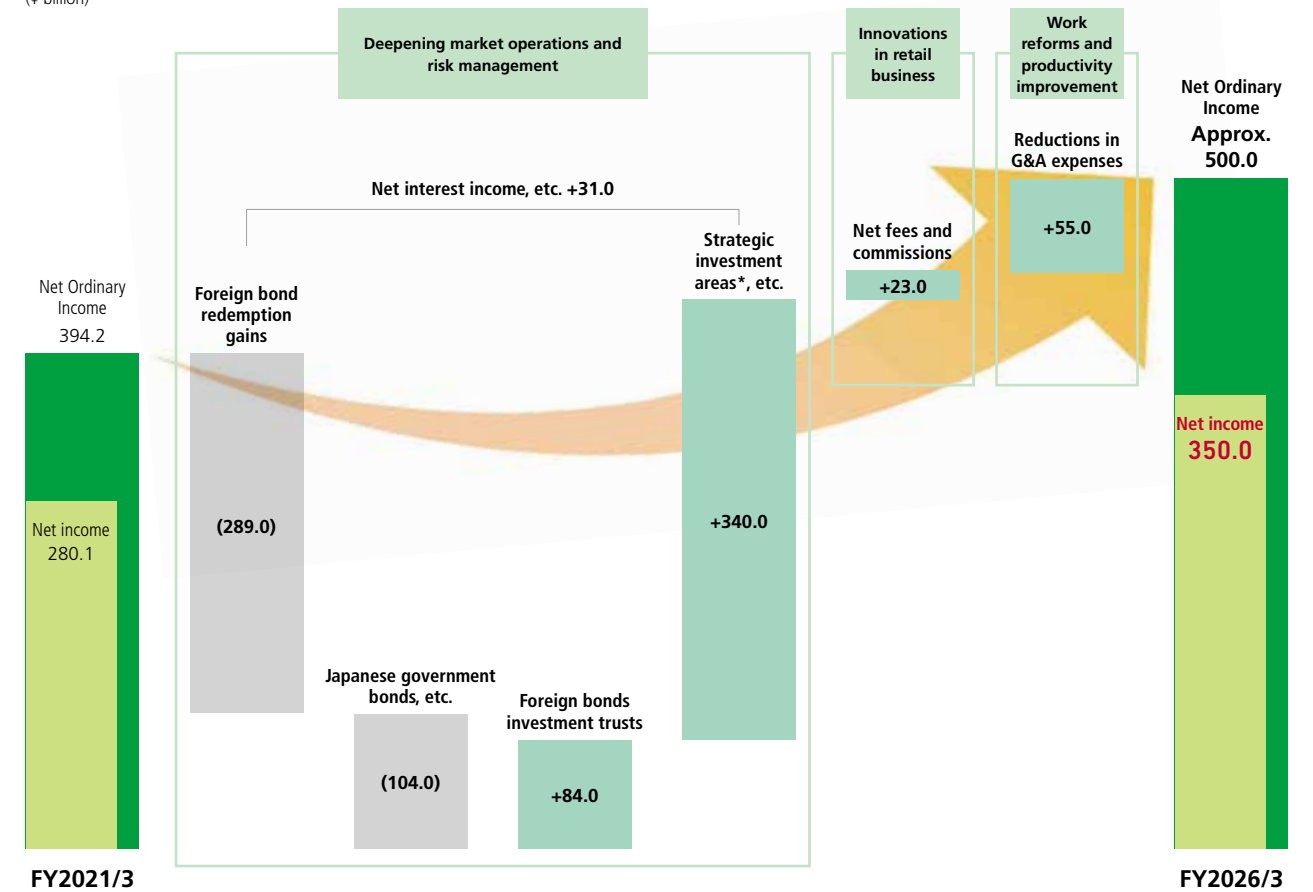
*1 Keeping in mind that JAPAN POST BANK manages securities that utilize money held in trust of a considerable scope, we will establish OHRs as targets that include in the denominator operational profit/loss pertaining to money held in trust. Calculated as general and administrative expenses + (net interest income, etc. + net fees and commissions). Net interest income, etc. = Interest income - Interest expenses (including gains (losses) on sales etc.).

*2 Excluding unrealized gains on available-for-sale securities. FY2026/3 targets are based on full implementation of Basel III.

Profit roadmap

Causes of changes in net ordinary income

(¥ billion)



* Strategic investment areas: alternative assets (private equity funds and real estate funds, etc.), real estate funds (debt), direct lending funds and infrastructure debt funds, etc.

Shareholder Returns Policy

We established a new shareholder returns policy along with the formulation of the medium-term management plan.

Specifically, taking into consideration the balance between shareholder returns, financial soundness and growth investments, throughout the term of the Medium-term Management Plan, the basic policy is to maintain a dividend payout ratio of approximately 50%.

However, the target dividend payout ratio will be set

between 50% and 60% while keeping in mind the stability and sustainability of dividends, and we will target increases in dividends per share (DPS) compared with projected dividend levels for FY2022/3.

We will strive for thorough shareholder returns through the expansion of medium- to long-term income via our corporate efforts.

JAPAN POST BANK'S Priority Issues (Materiality)

JAPAN POST BANK identified issues (materiality) to be prioritized in order to realize the medium-term management plan. The following in particular are issues that the Bank must address in the process of providing value to stakeholders, including customers, regional communities, the environment, and employees, as a "bank of choice" that continues to grow with society. Going back to the basics of business and identifying materiality, we have recognized the importance of growing in harmony with society, and all employees will strive to achieve this goal.

The Process of Identifying Materiality

STEP 1

Identifying Social Issues to Consider

- Analyzing International Circumstances
(Various International Frameworks/Standards such as SDGs, External Assessments)
- Analyzing Conditions in Japan
(Government Agencies/Financial Sector)
- Supporting International Initiatives
(SDGs, TCFD, CDP, UN Global Compact, GRI)



STEP 2

Narrowing Down Social Issues to be Addressed

- Relevance of JAPAN POST BANK Business Activities
JAPAN POST BANK excludes social issues that have little relevance to the Bank's business activities based on its management philosophy, policies, services, and business content.
- Dialogue with Stakeholders
Confirm whether the selection is based on demands on the Bank from society mainly through evaluations by external research agencies and the opinions of outside experts.



Dialogue with stakeholders



Internal meetings

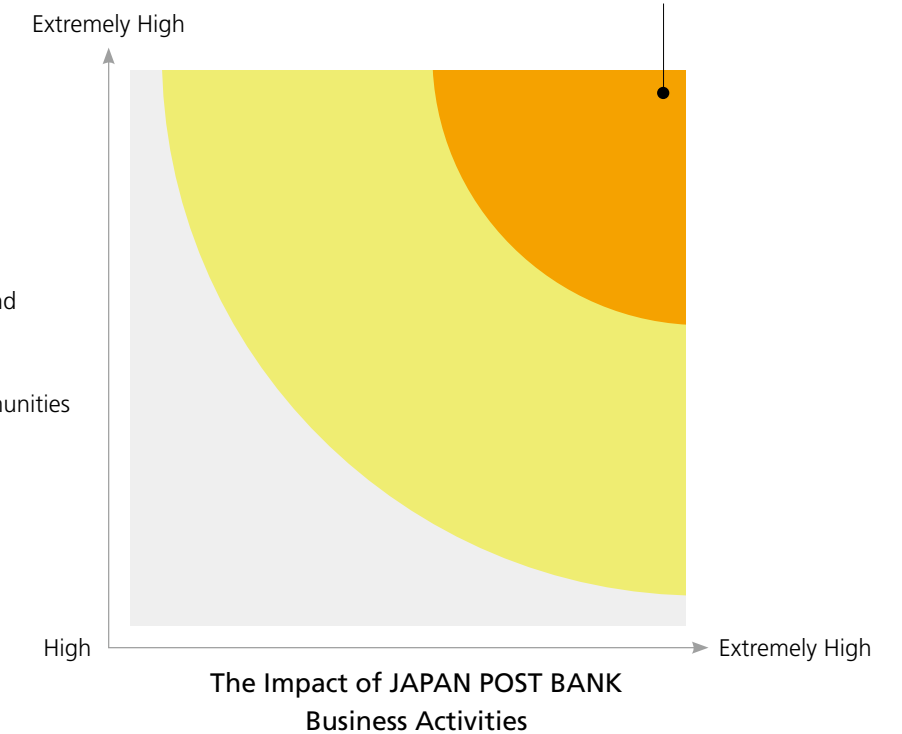
STEP 3

Selecting Priority Issues (Materiality)

The Corporate Planning Department has taken the lead in creating a materiality map by identifying two core issues: "importance to stakeholders" and "relevance to JAPAN POST BANK businesses."

Priority issues (materiality) to be addressed in order to realize a sustainable society and create new value

- Importance to Stakeholders
- Shareholders and Investors
 - Customers
 - Regional Communities
 - Environment
 - Employees



STEP 4

Identifying Materiality

Materiality is identified after reviewing its appropriateness at Executive Committee and Board of Directors meetings. The Bank will take actions that link materiality to management strategies and specific initiatives, regularly reporting progress to the Executive Committee and the Board of Directors. Materiality issues will be periodically revised to reflect changes in the social environment.

Materiality

Providing "safe and secure" financial services to anyone and everyone throughout Japan

Contributing to regional economic expansions

Reducing environmental impact

Advancement of work style reforms, and sophistication of governance

Connection between Priority Issues (Materiality) and the Basic Policies of the Medium-term Management Plan

JAPAN POST BANK has positioned ESG management as one of the basic policies in the medium-term management plan in order to both enhance corporate value and solve social issues. Based on its awareness of environmental/social issues and its strengths/business characteristics, the Bank has established priority issues (materiality) that must be addressed and will promote ESG management by linking these issues to its management strategies.



* Goals for achievements by April 2026. (JAPAN POST GROUP targets) Ratio of female managers of 30% at headquarters by April 1, 2031.

Medium-term Management Plan

KEY STRATEGIES ①

Innovating retail business into a new form by realizing complementarity between the physical and the digital



Minoru Kotouda
Senior Managing Executive Officer

Working to innovate retail business into a new form by realizing complementarity between the physical and the digital

In addition to expanding digital services that put safety and security first, and can be readily used by all customers by continually improving UI/UX, we will promote the dissemination of digital services by actively utilizing our post-office network.

We will provide customers with information on optimal products and services in consultations via both our face-to-face and digital channels when they consult with us about asset management.

We offer life plan consultation services with an even stronger focus on individual customer needs in the face-to-face channel, which enables customers to consult the same staff members. We will establish an asset management platform that is easy for anyone to use in the digital channel, which is simple, convenient, and low-cost.

Consequently, JAPAN POST BANK will provide “reliable and thorough” financial services “safely and securely” to anyone and everyone throughout Japan.

FY2021/3 Initiatives

Status of various responses to fraudulent use of cashless payment services

The Bank’s immediate transfer services and mijica (Visa debit/prepaid card) were used fraudulently by malicious third parties, causing a great deal of inconvenience to our customers.

In response to this, we suspended the use of the immediate transfer services for certain companies and some mijica functions from September 2020, and also compensated the affected customers. In addition, the Security Review Task Force was established under the direct supervision of the Bank’s President and Representative Executive Officer to reconfirm the robustness of the security of our cashless payment services and the system for monitoring customer usage.

As for the immediate transfer services, the service was later resumed from January 2021, starting with those companies whose security systems have been confirmed to be free of problems. As for mijica, we are preparing for

the transition to a new branded debit card in the spring of 2022.

Furthermore, with regard to the governance systems surrounding the response to the fraudulent use of our services, we have been taking steps to improve the situation based on the recommendations of the JP Reform Execution Committee, which was established by the Audit Committee of JAPAN POST BANK and the four companies of the JAPAN POST GROUP and whose members include external experts.

We consider the cashless payment service as one of our most important management policies, and based on our experience and reflection, we will further strengthen the security of our services so that our customers can use them safely and securely, and we will make further efforts to improve our sensitivity to risks and customer-oriented business operations.

ACTION Digital service strategies

Deploying digital service strategies as an innovation in the retail business

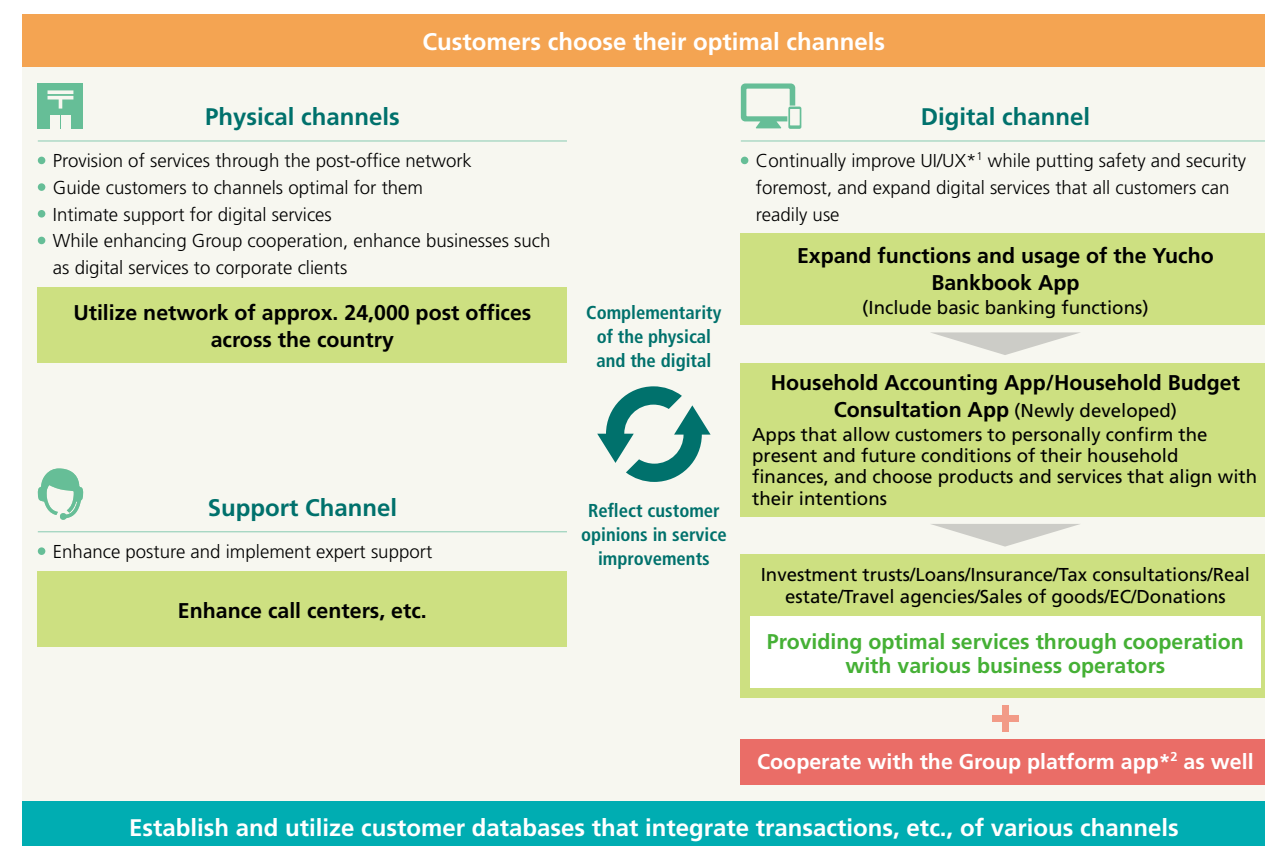
Placing top priority on safety and security, we will expand digital services that are easy for all customers to use, and promote the spread of digital services by utilizing our post office network. In addition, we will endeavor to build an open “co-creation platform” that leverages our customer base to provide optimal services through collaboration with a wide range of businesses.

Specifically, we will work to strengthen security including the identity verification function for various digital services, expand the functions of the “Yucho Bankbook App,” build the “Household Accounting App/

Household Budget Consultation App, and continuously improve UI/UX*1.

In addition, through the utilization of the nationwide network of post offices, we will guide customers to the most suitable channels and provide careful support for digital services.

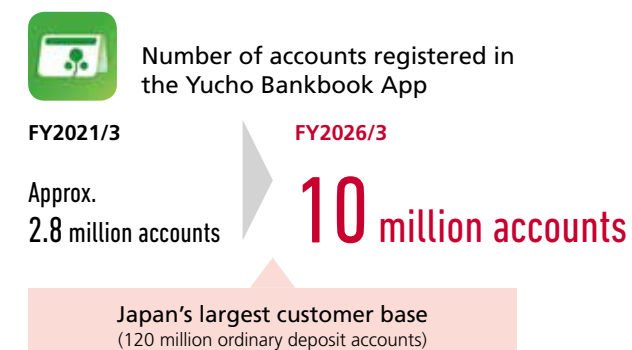
As we have the largest customer base of any Japanese bank, we will work to expand our customer base in the digital domain with a focus on the “Yucho Bankbook App” and strive to promote digital services that can be used safely and conveniently by many customers.



*1 Abbreviations of User Interface/User Experience. In addition to making the services easier to operate and use, we will work to improve the value of the experience customers gain from using services.
*2 Based on the concept of “Post-Office in Hand,” this singular platform app allows users to use the various products and services offered by the Japan Post Group in a cross-sectional manner (under development).

KPI

We designated the number of registered the Yucho Bankbook App accounts as a KPI, and will use this App as a launching point for our goal of disseminating digital services founded on our customer base, the largest among Japanese banks.



Value Creation

Medium-term Management Plan KEY STRATEGIES ①

Innovating retail business into a new form by realizing complementarity between the physical and the digital

ACTION Asset building support business

Providing optimized services to customers through face-to-face and digital channels

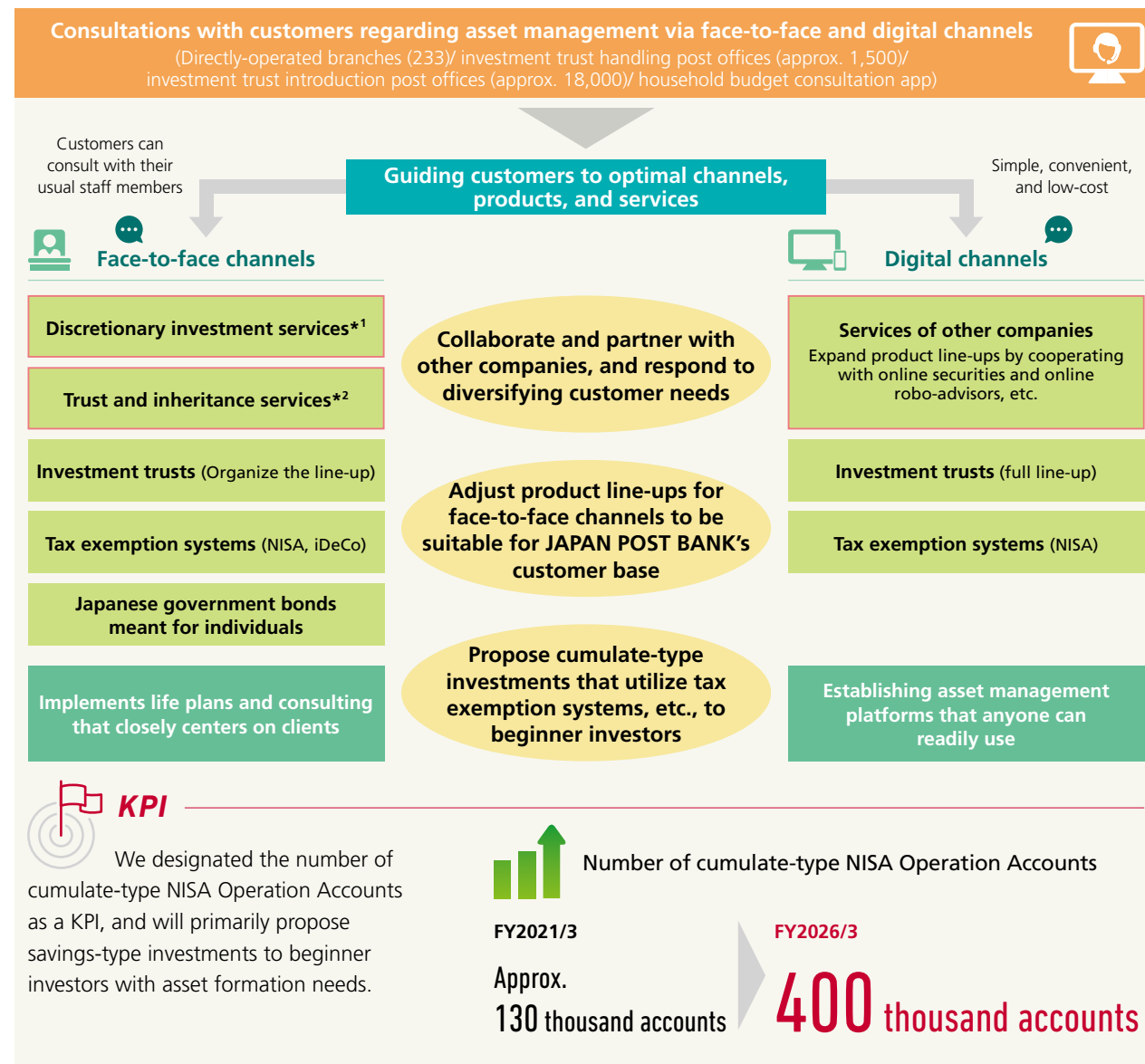
In the asset building support business, we will provide optimal services to customers through the “face-to-face channel,” where customers can consult with our regular employees, and through the “digital channel,” which is easy, convenient, and low-cost, based on customer-oriented business operations.

In the face-to-face channel, we will offer a lineup of asset management products to suit our customer base, while we will mainly offer cumulate-type investments to

beginner investors. In addition, we will introduce and expand the online consultation function and train “financial consultants” to provide more personalized life plan consulting services to our customers.

Meanwhile, in the digital channel, we will strive to develop an asset management platform that is easy for everyone to use by expanding services on our website and apps using competitive fee levels.

Introduction and expansion of online consultation functions



Note) Products and services in red frames are planned for introduction during the medium-term plan period

*1 This service has 'accept discretion from the customer to make investment decisions, and mediates products that have the Bank conduct everything from sales to management of investments based on such investment decisions (authorization required).

*2 This service conducts mediation for products handled by trust banks that engage in testamentary trusts, inheritance trusts, and inheritance adjustment business (authorization required).

ACTION New business

Creating new business to provide value

We will develop new services that support the lives of customers over the long term and new services that further enhance convenience.

Specifically, we have started “account overdraft

services” and direct handling of “Flat 35” in May 2021. In addition, we will prepare for the launch of “discretionary investment services” and “trust and inheritance services.”



*1 Authorization required

*2 A service that delegates the dissolution of investment trusts retained by customers to designated family members

Medium-term Management Plan

KEY STRATEGIES ②

Business reforms and productivity improvement through the active utilization of digital technology

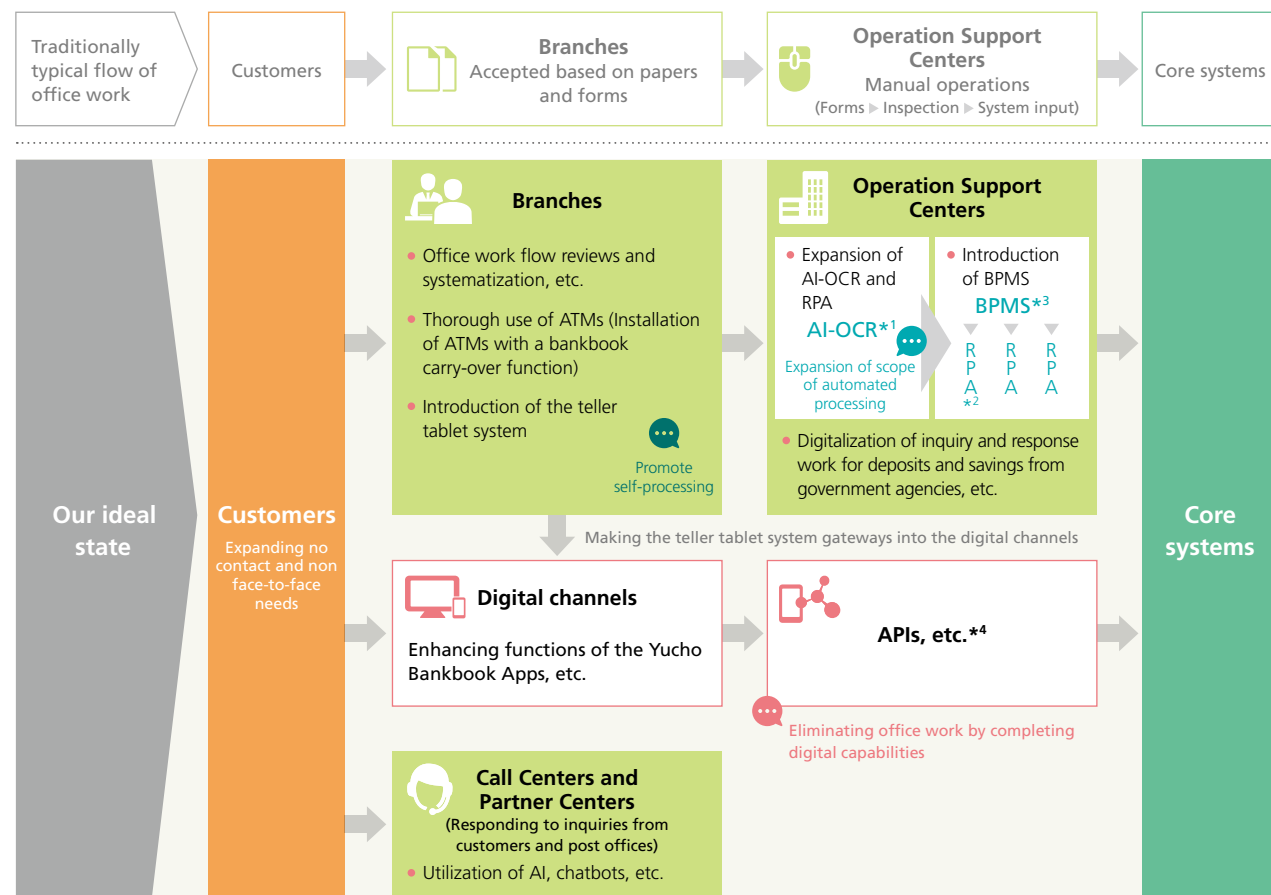


ACTION Work reforms for directly-operated branch tellers and Operation Support Centers, etc.

Promoting business reforms through the active utilization of digital technology

At our branches, we will expand the system to enable self-processing of routine transactions by introducing the teller tablet system, and enhance the digital channel to improve the efficiency of counter operations while expanding the options of transaction channels for our customers.

At Operation Support Centers, we will promote comprehensive business automation by combining digital technologies, such as expanding AI-OCR*1 and RPA*2, and introducing BPMS*3.



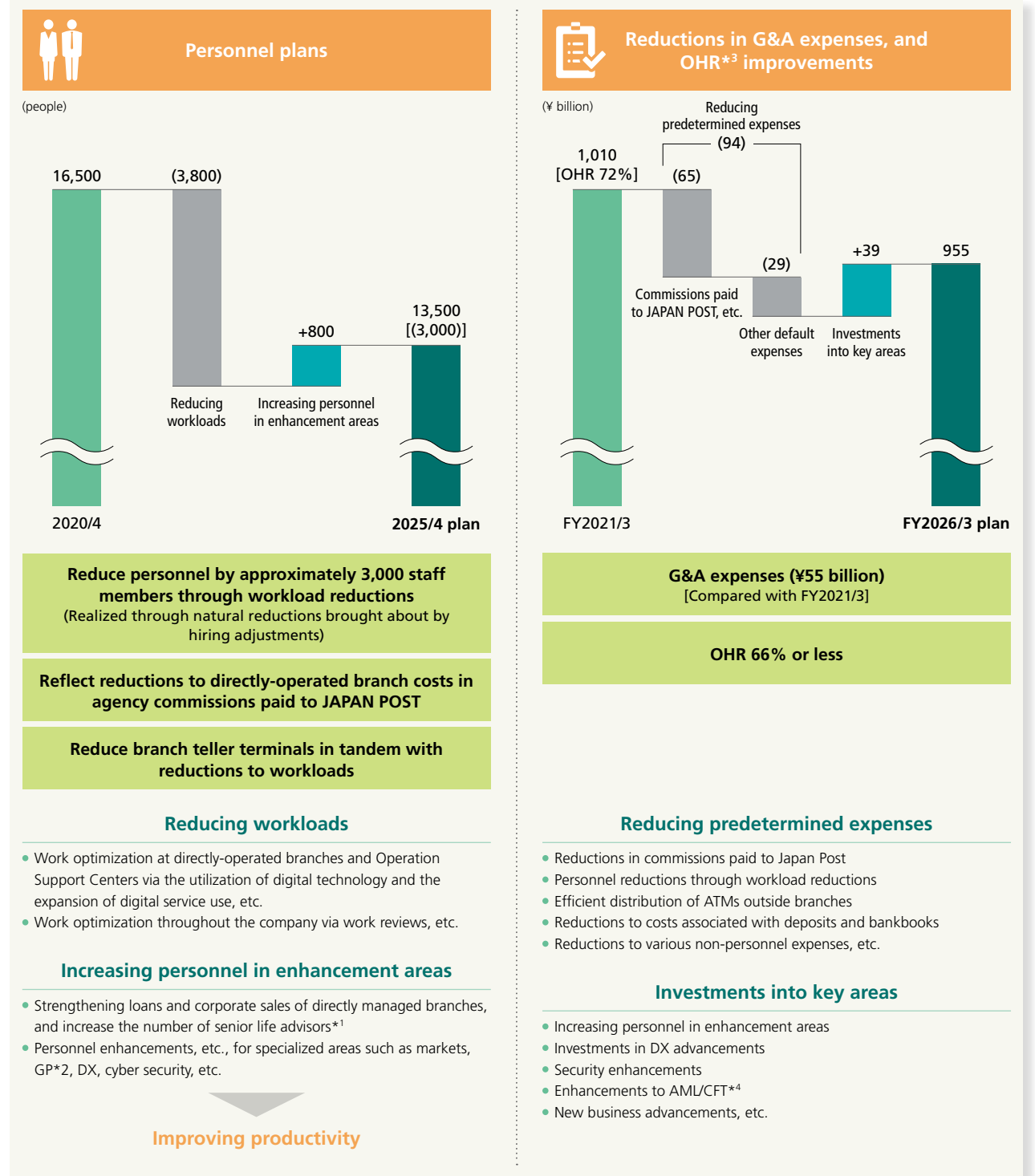
*1 OCR that utilizes AI to enhance recognition rates of handwritten characters, etc.
 *2 RPA: Abbreviation of Robotics Process Automation. Technology to shorten work time and improve quality through such measures as the automation of terminal and other operations, which are undertaken manually using a mouse or keyboard.
 *3 Abbreviation of Business Process Management System. This system automatically activates RPAs, and systematically controls work flows that require human confirmation work, etc., and conducts automatic process management.
 *4 Abbreviation of Application Programming Interface. Standard technology that links together digital channels such as smartphone apps and external systems with the internal systems of banks.

ACTION Productivity improvement through shifts in management resources

Reductions in G&A expenses, and OHR improvements

Through business reform efforts, we will reduce the workload of directly-operated branches and Operation Support Centers, while shifting personnel to focus areas through systematic skill development, in order to improve our systems and productivity.

In addition, we will aim to improve management efficiency by reducing predetermined expenses while strengthening investments in strategic IT and other priority areas.



*1 Employees who provide more delicate and sophisticated responses to elderly customers.
 *2 GP (General Partner): a fund operator that selects projects and makes investment decisions.
 *3 Basis including gains (losses) on money held in trust
 *4 "Anti-money laundering" and "combating the financing of terrorism"

Medium-term Management Plan

KEY STRATEGIES ③

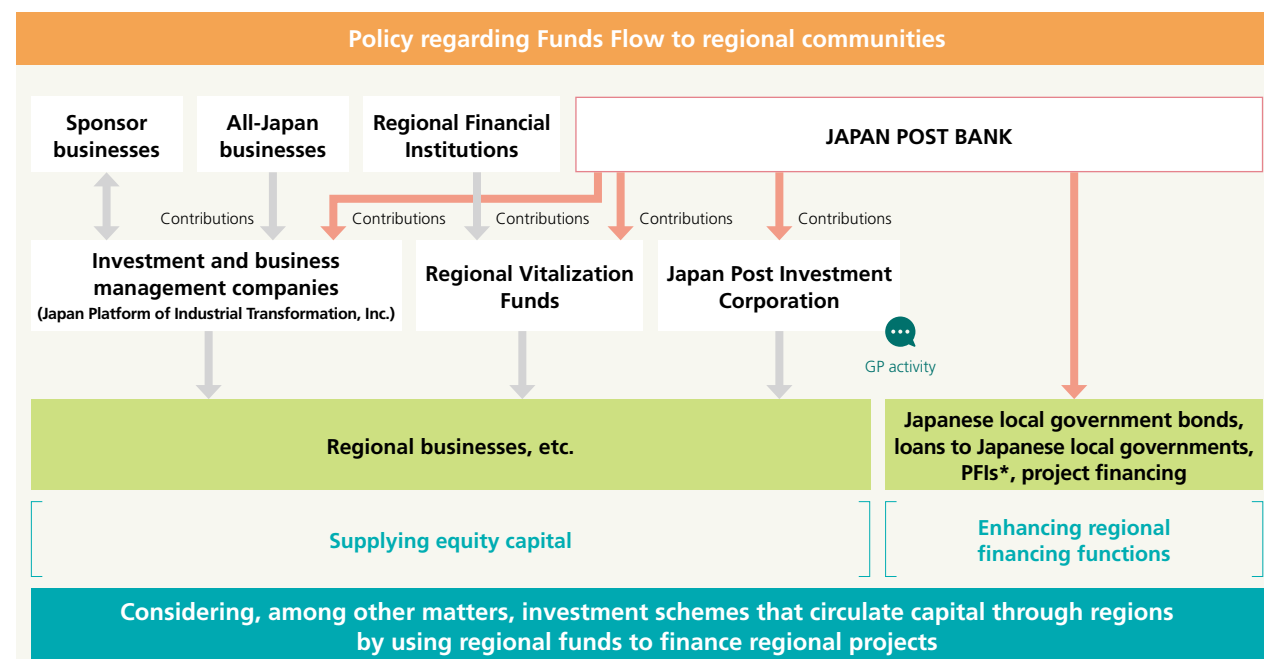
Enhancing funds flow to regional communities and the regional relationship functions through various frameworks

ACTION Funds flow to regional communities

Responding to the risk money needs of regional communities

In order to flow precious customer funds entrusted by our customers to regional communities, we will strive to contribute to the vitalization of regional communities by supplying funds through various frameworks. In particular, we will respond to the risk money needs of regional

communities by supplying equity funds through “regional vitalization funds,” as well as through the actions of Japan Platform of Industrial Transformation, Inc. (JPiX) and Japan Post Investment Corporation.



* Abbreviation of Private Finance Initiative. A method that conducts construction of public facilities, and other similar efforts, utilizing the funding and capabilities of the public. (Reference) Balance of financing to regions: approximately ¥7 trillion (as of the end of FY2021/3)



We designated the number of regional vitalization fund contributions (cumulative) as a KPI, and are working towards “Funds flow to regional communities.”



Number of regional vitalization fund contributions (cumulative)

FY2021/3

FY2026/3

32 cases

50 cases

Overview of Regional Vitalization Funds (As of March 31, 2021)

Name of Fund	Year/month of participation	Name of Fund	Year/month of participation
1 Kyushu Wide Area Reconstruction Assistance Investment LP	2016/7	18 Aomori Bank Regional Vitalization LP	2019/3
2 KFG Regional Enterprise Support Investment LP	2016/11	19 Capitalization of Tourism Heritage Investment LP	2019/6
3 Hokkaido Growth Companies Support Investment LP	2016/11	20 Regional Next-generation Industry Accelerate Investment LP	2019/7
4 Chubu / Hokuriku Region Vitalization Investment LP	2017/4	21 Regional Companies Value Up Support Investment 1 LP	2019/7
5 Shiga Bank Core Business Support Investment LP	2017/6	22 Growth Support Investment Project No.1 LLP	2019/7
6 Toho Business Succession Investment LP	2017/8	23 Ant Bridge No.5-A Private Equity Secondary Investment Fund, LP	2019/9
7 Kyushu Setouchi Potential Value Investment LP	2017/10	24 Kiraboshi Capital-Mercuria Investment LP for the Investment Business	2019/10
8 MIYAKO Kyoto University Innovation LP	2017/11	25 Akita City SME Promotion Investment LP	2019/11
9 MBC Shisaku 1 LP	2017/12	26 Towa Regional Activation Investment LP	2019/11
10 Michinoku Regional Vitalization Investment LP	2018/3	27 Furusato Renkei Ouen Fund, L.P.	2020/1
11 Fukui Future Business Support Investment LP	2018/3	28 East Japan Typhoon Reiwa 1 and COVID-19 Recovery Support Investment LP	2020/1
12 Ehime Regional Vitalization Investment LP	2018/3	29 Kansai Innovation Network Investment Limited Partnership	2020/4
13 Healthcare New Frontier Investment LP	2018/8	30 Kansai and Chubu Regions Recovery Support Investment Limited Partnership	2020/7
14 Tokyo SME Support 2 LP	2018/8	31 MIYAKO Kyoto University Innovation II L.P.	2020/10
15 Succession Investment LP, I	2018/10	32 Dogan Regional Value Fund	2020/12
16 TOKYO Relationship No.1 Investment, L.P.	2018/12		
17 Kyoto-University-Venture NVCC No.2 Investment LP	2019/3		

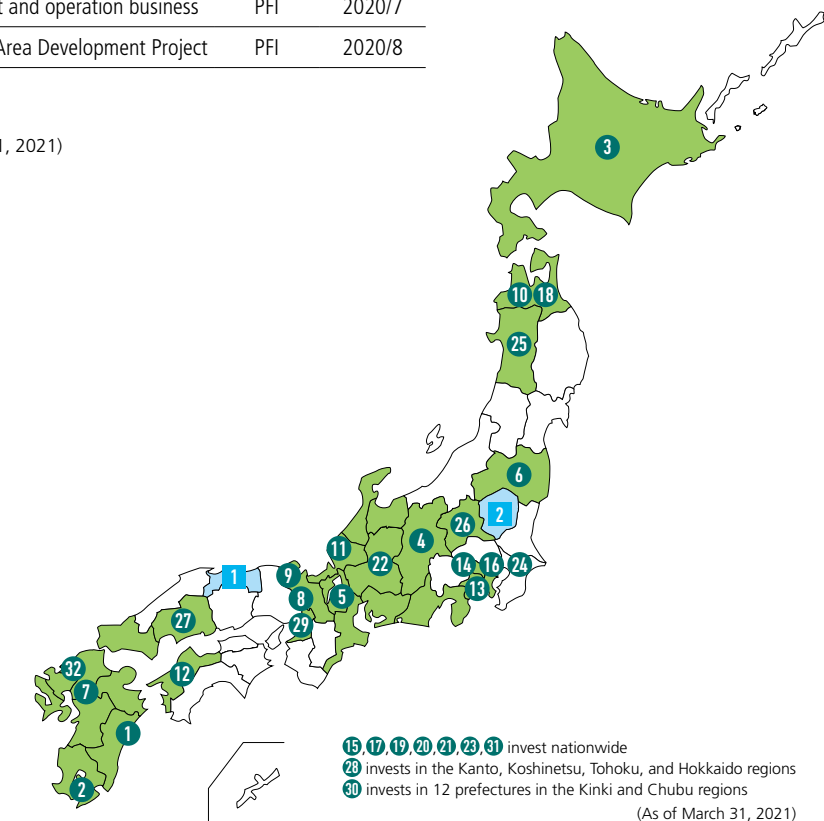
Overview of Major Regional Finance Projects (As of March 31, 2021)

Finance project name	Schemes	Project period
1 Tottori Prefecture hydroelectric plant re-improvement and operation business	PFI	2020/7
2 Tochigi Prefecture Comprehensive Sports Zone East Area Development Project	PFI	2020/8

JAPAN POST BANK's Network (As of March 31, 2021)

Numbers of branches / ATMs in Japan

Regions	Number of branches	Number of ATMs
Hokkaido Region	1,469	1,814
Tohoku Region	2,523	2,805
Kanto Region	2,553	3,728
South Kanto Region	1,018	1,727
Tokyo Region	1,478	3,205
Shinetsu Region	1,290	1,385
Hokuriku Region	827	1,077
Tokai Region	2,339	3,885
Kinki Region	3,407	5,002
Chugoku Region	2,201	2,371
Shikoku Region	1,130	1,345
Kyushu Region	3,386	3,291
Okinawa Region	194	266
Total fund amount	23,815	31,901



*1 The total number of branches includes the following.

- (1) Branches directly managed by JAPAN POST BANK
- (2) Post offices contracted by JAPAN POST BANK (including sub-offices)
- (3) Contracted post offices in which JAPAN POST re-entrusts our banking agency services

*2 Does not include the number (two) of mobile post offices (in Yamaguchi Prefecture and Kumamoto Prefecture).

Value Creation

Medium-term Management Plan KEY STRATEGIES ③

Enhancing funds flow to regional communities and the regional relationship functions

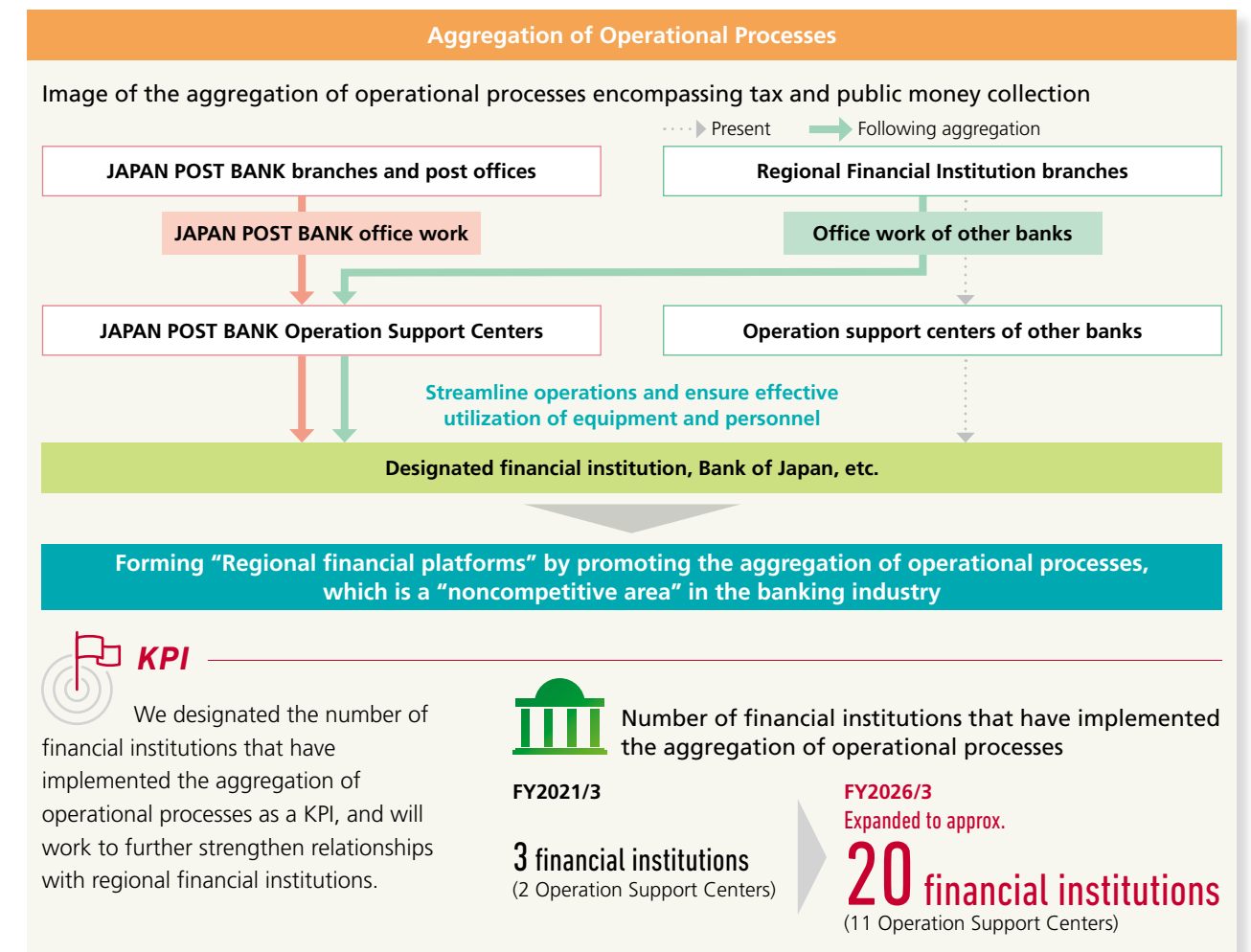
ACTION Realizing regional finance platforms

Use of JP Bank's ATM Network and Aggregation of Operational Processes

As the core of the "regional financial platform," we will work with regional financial institutions to meet the financial needs of each region by utilizing our ATM network and sharing administrative work.

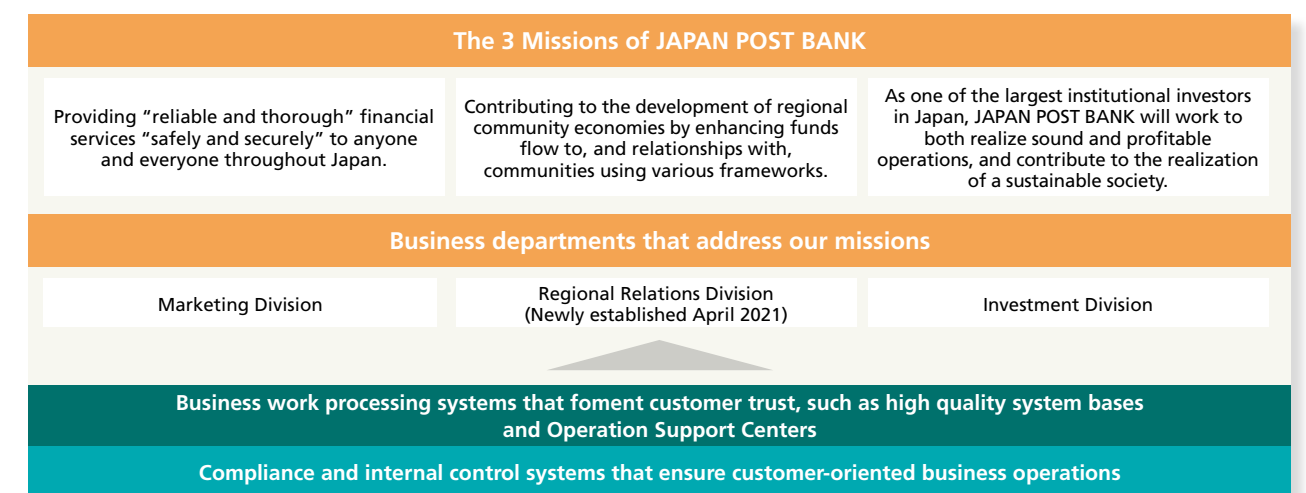


* A partnership arrangement for waiving fees when an ATM card of a regional financial institution is used at a JP Bank ATM. Terms and conditions for waiving fees are set by each financial institution.



ACTION Enhancing implement systems

With regard to efforts to revitalize regional communities, we established a new Regional Relations Division in April 2021 to promote these efforts while further strengthening our relationships with local governments and regional financial institutions.



ON FOCUS Regional Revitalization

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 FY2017/3 to actively promote participation in regional vitalization funds contributing to regional revitalization projects that aim to support business succession, entrepreneurship and start-ups, and growth.

We are also engaged in using funds to provide capital support to companies across the country affected by COVID-19 and other disasters.

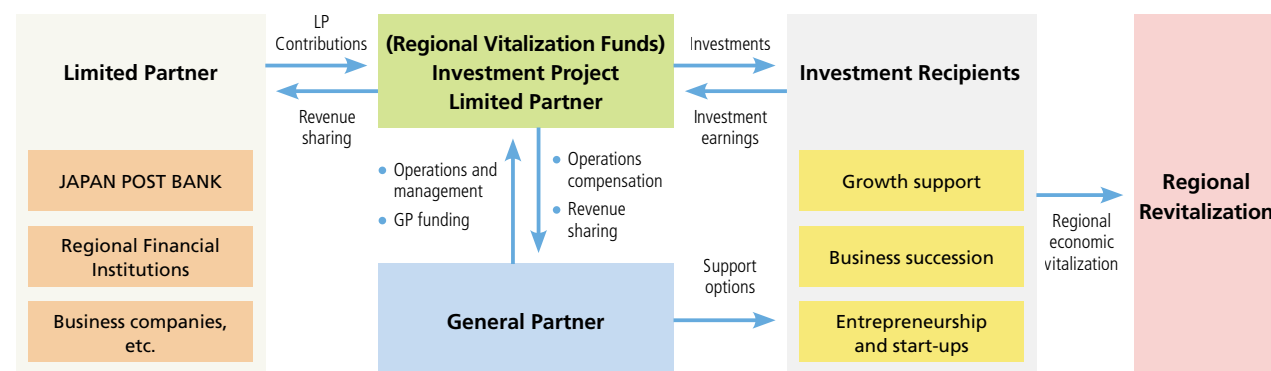


Contributing to regional vitalization funds

Since FY2017/3, we have worked with regional financial institutions to actively promote participation in regional vitalization funds from the perspective of regional vitalization. To date, we have contributed to a total of 32 funds (as of March 31, 2021).

Specifically, we also participate in funds established by regional financial institutions for the purpose of supporting companies in their regions (growth support, business succession, entrepreneurship and start-ups). By working in collaboration with these institutions, we are advancing a greater supply of risk money to their regions.

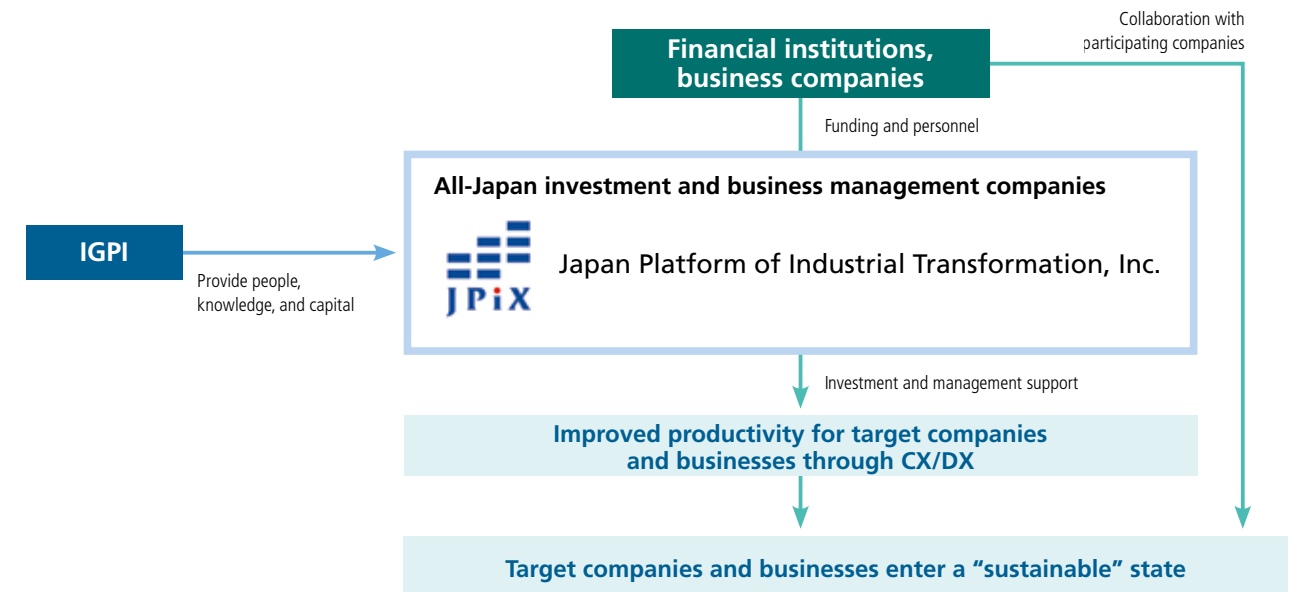
Moreover, with the cooperation and support of regional financial institutions and governmental organizations around Japan, we also engage in initiatives to support recovery efforts and respond to crises in disaster affected areas. Specifically, we take this approach to address the funding needs of companies that have been impacted by the hurricanes, earthquakes, and other large-scale disasters that have frequently occurred in recent years around Japan and of companies that have been affected by COVID-19. We will continue to consider the state of society as we enhance our efforts to contribute to regional vitalization.



Funding Japan Platform of Industrial Transformation, Inc. (JPiX)

We resolved to fund Japan Platform of Industrial Transformation, Inc. (JPiX), an investment and business management company that was established by Industrial Growth Platform, Inc. (IGPI), on December 24, 2020, and that works toward regional revitalization. Through this investment in JPiX, we intend to diversify our asset management activities and achieve stable profits. At the same time, this investment also aims to contribute to regional revitalization through the flow of funds to regional companies.

JPiX supports management through sustained, long-term investments in regional companies in local economic spheres. Along with promoting corporate transformation (CX), JPiX builds initiative frameworks designed to realize local digital transformation (LDX) for the purposes of enhancing the productivity of regional companies, ensuring operational sustainability, and contributing to regional revitalization.



Investing through Japan Post Investment Corporation

Through "Japan Post Investment I, ILP," a fund created in April 2018, Japan Post Investment Corporation 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, 2021, Japan Post Investment Corporation had invested ¥56.9 billion in 27 projects through this fund. The Company will continue to aim for the sustainable development of the Bank and society by promoting efforts towards solving ESG-related issues through the investment process and from the perspective of fulfilling its social responsibilities as a member of Japan Post Group.



Investment results

27 cases **¥56.9 billion**
(As of March 31, 2021)



Medium-term Management Plan

KEY STRATEGIES ④

Deepening market operations and risk management with an awareness of stress tolerance



Takayuki Kasama
Senior Managing Executive Officer

Aiming for a higher degree of balance between profitability and financial soundness

We have been pursuing greater sophistication and diversification of our investment process, including establishing a new profit base through diversified investments, as the investment environment is likely to remain challenging due to continuation of global liquidity surplus and low interest rates.

During the period covered by the Medium-term Management Plan, as we continue to make consistent investment judgements based on a sophisticated risk management system, we will diversify our portfolio by region, industry and other factors and aim to build a robust investment portfolio that can maintain financial soundness even when faced with a volatile market environment in the future.

In order to realize this goal, we will build a more refined investment management system by further expanding and enhancing the systems and know-how we have built thus far, aiming to achieve a high degree of balance between profitability and financial soundness, training specialists and increasing the sophistication of our risk management systems.

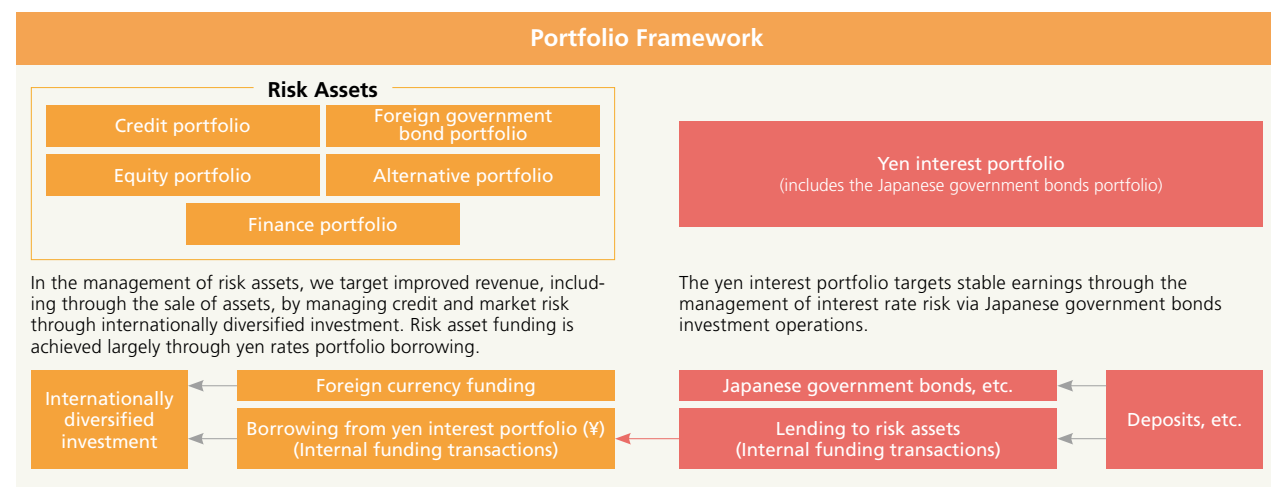
Moreover, as a responsible institutional investor, we will contribute to realizing a sustainable society.

Performance in FY2021/3

Amid persistent low yen interest rates and increasing uncertainty about the global economy, we promoted internationally diversified investments based on appropriate risk management in order to ensure stable profits. In addition to accumulating risk assets centered on foreign securities while considering the credit quality, we also selectively made investments in private equity funds (funds that invest in unlisted companies, etc., with growth potential),

real estate funds, and other assets which are designated as strategic investment area, in consideration of changes in the market environment. Our balance of risk assets, which had stood at ¥84.8 trillion as of March 31, 2020, increased to ¥91.1 trillion as of March 31, 2021. This included a balance of strategic investments of ¥4.2 trillion.

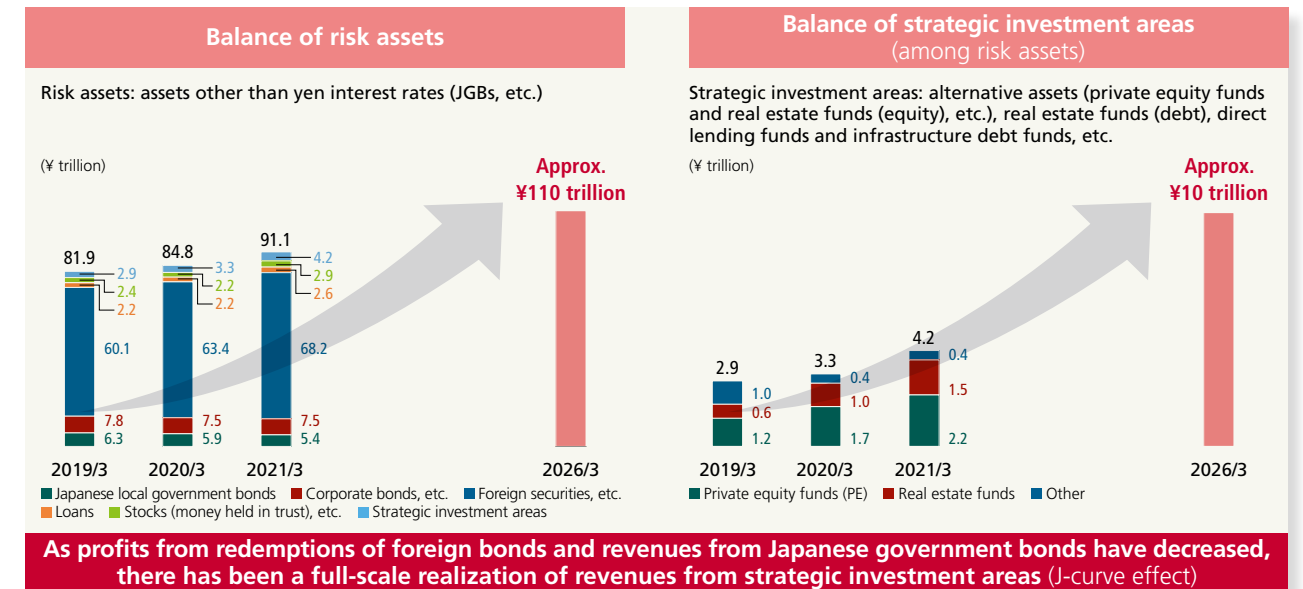
Amidst a severe business environment where interest rates remain low, we will expand our global



asset allocation based on a "risk appetite framework*," clarifying the types and levels of risks to be taken, while being conscious of returns against risks and aiming to improve profitability.

Specifically, we will build up the balance of risk assets, mainly in the investment grade (IG) area. In addition, we will selectively invest in strategic investment areas with the aim of increasing the balance among risk assets.

* The framework for business management using risk appetite (the type and total amount of risk that should be accepted for the achievement of business plans based on the distinctiveness of the Bank business model) as a common term within the bank in relation to general risk taking policies including the distribution of capital and the maximization of profits.



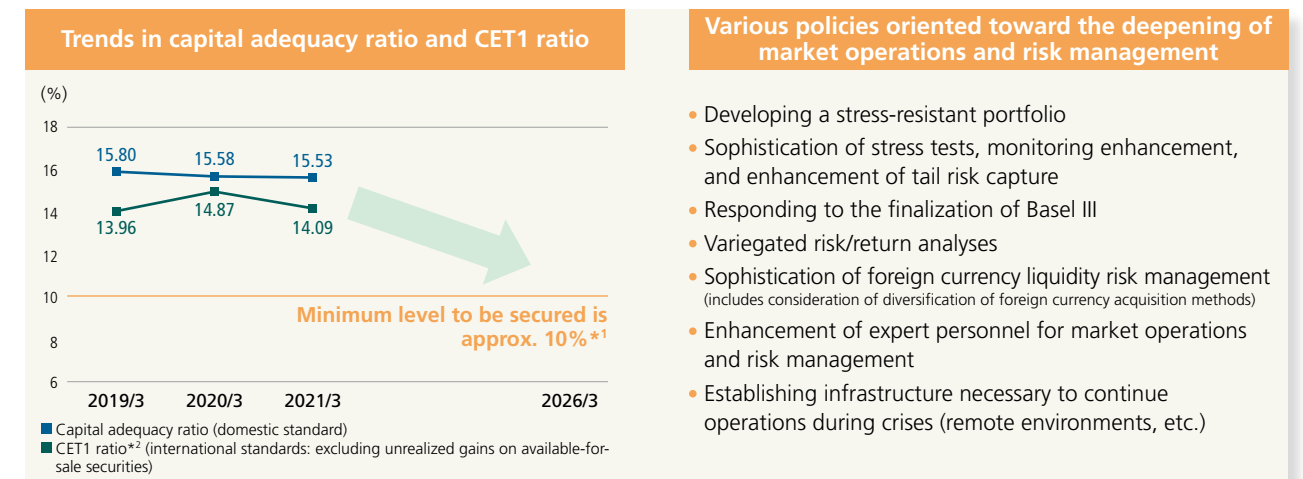
Under the above policy, we are expanding internationally diversified investments with an outlook for a risk asset balance of approximately ¥110 trillion and a strategic investment area balance of approximately ¥10 trillion by FY2026/3.

ACTION Enhancing stress tolerance and deepening risk management

Higher earnings through appropriate risk-taking

In preparation for the occurrence of stress events, we will promote the construction of a stress-resistant portfolio, and make further efforts to deepen our risk management by upgrading stress tests and strengthening monitoring. We will set a capital adequacy ratio (domestic standard) of

approximately 10%, and a CET1 ratio of approximately 10%*1 as minimum levels to be secured in ordinary times. We will work to achieve improvements to our earnings by actively utilizing our capital and taking appropriate risks, while ensuring thorough financial soundness.



*1 Excluding unrealized gains on available-for-sale securities. The FY2026/3 CET1 ratio is based on full implementation of Basel III.

*2 Although JAPAN POST BANK is a domestic standard bank, we set targets for CET1 ratio, which is an internationally unified standard, while taking into consideration the increased importance of international finance systems, etc., that come along with the proliferation of global asset allocations.

Medium-term Management Plan

KEY STRATEGIES ⑤

Strengthening the management base to become a more trusted bank

ACTION Organizational culture reforms

Service Improvement Committee system

For the purpose of further promoting and putting into practice customer-oriented business operations, we established the "Service Improvement Committee" as an expert committee chaired by the President and Represent-

tative Executive Officer. Management teams lead the Committee in utilizing "customer feedback" and "employee feedback" in efforts to improve and enhance products and services.

Service Improvement Committee

Chairperson: President Ikeda

Organizational Culture Reform Subcommittee

The purpose of the "Organizational Culture Reform Subcommittee" is to "enhance organizational capabilities" towards improving "customer-oriented" services. This Subcommittee is engaged in sustained organizational culture reforms that allow each individual employee to practice "customer-oriented business operations" as part of their daily work and activities.

- Teller Service, Digitalization, and Administrative Efficiency Subcommittee
- Products and Services Reform Subcommittee

Abstract areas

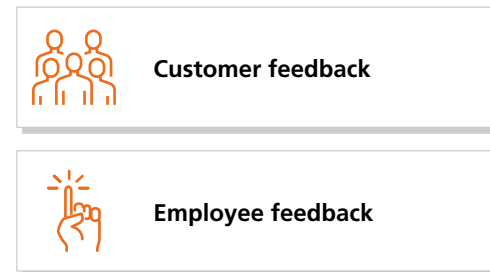
Enhancements to communications within and between organizations

- ▶ We will ensure internal dissemination of our customer-oriented management philosophy through enhanced communications between the front lines and management, among other efforts
- ▶ We will promote interactions between personnel between organizations internal to the Bank, and businesses both within and without the Group

Concrete areas

Reviews of organizations, rules, and personnel evaluations, etc.

- ▶ We will reflect customer-oriented thinking in our organizations and evaluation systems, etc.



Reviewed sales targets and personnel evaluation systems



All employees will work to realize "customer-oriented business operations," and work to make JAPAN POST BANK an even more trusted bank among our customers



Norito Ikeda
Director, President and Representative Executive Officer

Aiming to become a trusted bank

Under the slogan of "Deepening trust, and taking on the challenge for financial innovations," we aim to serve as a trusted bank in which all of our employees realize customer-oriented business operations, and are therefore engaged in sustained organizational culture reforms and internal control systems reinforcement. In particular, organizational culture reforms as led by the Service Improvement Committee under the direct jurisdiction of the president are intended to ensure information sharing within the organization and instill a culture that conducts business from the standpoint of our customers.

Moreover, in September 2020 we set up the "President's Direct-line Opinion Box" to promote communication with all employees. I read every opinion sent to me through this opinion box and publish video messages to all of our employees as my response. We also made a fundamental review of our sales targets and human resources targets in a way that places a greater priority on "sales quality" over "sales results" and on "customer-oriented perspectives" over "product-oriented perspectives." We aim to serve as a trusted bank through these types of efforts.

Systems for incorporating customer and employee feedback

- Regularly broadcasting president and executive officer video messages
- Holding front line meetings (measure to enhance communication with management teams)
- Installing the "JAPAN POST BANK President's Direct-line Opinion Box"
- Reorganizing the Customer Satisfaction Department



Filming an executive officer's video message (Executive Vice President, Yoshinori Hagino)



Holding a front line meeting

See page 52 for details

Establishing the Diversity Committee and its activities

In working to solve the different challenges faced by each organization and region, we deploy Diversity Committee activities within all organizations in the Head Office, Regional Headquarters, and Operation Support Centers. This Committee is led by the President and Representative Executive Officer and is composed of members from each organization with various backgrounds and careers. In addition to investigating and determining diversity management promotion policies and programs for each organization, the Committee provides suggestions in line with the challenges and situations based on employee feedback.

We hold the Japan Post Bank Diversity Forum to deepen recognition of diversity and create company-wide

awareness that leads to action for the future. We held the Forum online for the first time during FY2021/3, during which approximately 240 employees from all across Japan of every age, position, and gender participated. The Forum served as a location for dialogue where the President as head of the company and employees from all over Japan were able to directly share their understanding and thoughts on promoting diversity in real-time.

Unlike the Service Improvement Committee Organizational Culture Reform Subcommittee, which has a top-down structure, the Diversity Committee has a bottom-up structure, allowing us to promote diversity through a dual set of activities that enable synergies.



Holding the JAPAN POST BANK Diversity Forum online



Employees from the Kyushu Area received an award as an organization that performs good practices



President and Representative Executive Officer (left) and General Manager of Diversity and Inclusion Department (right)

Value Creation

Medium-term Management Plan **KEY STRATEGIES ⑤**
Strengthening the management base to become a more trusted bank

ACTION Improving internal control systems

Enhancements to risk management systems

We will work to strengthen the risk management system, including making enhancements to the voluntary management of the 1st line (Marketing Division, Operation Division) and making internally cross-sectional enhancements to control systems in the 2nd line (Management Division) and 3rd line (Internal Audit Division) pertaining to the 1st line.

Ensuring safety and security

We will strive to “ensure safety and security,” including implementing sophisticated security measures and enhancing IT governance and security verification systems suited for emerging risks.

Details on other initiatives

- We will provide prompt compensation whenever damages arise.
- We will enhance risk sensitivity via enhanced human resource development and personnel exchanges within and between the 1st, 2nd, and 3rd lines and share aggregated risk-related information organizationally.
- We will disclose information at appropriate times and to appropriate degrees.

Managing Cyber Security*

JAPAN POST BANK regards the risk of cyber attacks 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 CISO (Chief Information Security Officer) while maintaining multilayered

defenses and detection measures. In addition to assigning human resources with expertise, the Bank is working to provide customers with safe and secure services continuously by analyzing new attack methods and taking countermeasures in cooperation with external specialized organizations.

* To make sure that no problems arise, including the leakage or tampering of electronic data or failure of IT and control systems to perform their expected functions.

Sophistication of “anti-money laundering” and “combating the financing of terrorism” will be enhanced

In accordance with the Financial Services Agency’s “Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism”, JAPAN POST BANK establishes the basic policy with regard to the measures against money laundering and financing of terrorism and is implementing the management-driven measures as this is the most important management agenda.

Specifically, from the standpoint of preventing the Bank’s products and services from being misused, the Bank identifies and evaluates the money laundering and financing of terrorism risks in terms of the characteristics

of business, relevant laws and regulations, etc., and takes appropriate measures to effectively mitigate these risks.

The management is proactively taking the leading role for implementing the measures against money laundering and financing of terrorism with support of the relevant outside professionals. The Bank nominates the senior management and senior manager who are responsible for this mission and clarifies the roles and responsibilities of all the managers and employees, and implements the countermeasures.

Enhancements of compliance systems

In the midst of the Group’s concerted efforts to restore trust in our business operations, we take seriously the increasing number of internal crimes, including the case of long-term and high-value cash fraud at the post office in Nagasaki Prefecture announced on April 6, 2021. In each of these cases, we will compensate the affected customers, and we are working with JAPAN POST Co., Ltd. to analyze

the causes of the incidents and consider measures to prevent recurrence, pushing ahead toward the elimination of scandals through thorough and stricter compliance.

In addition, we have worked to ensure appropriate sales of asset management products and to improve our internal reporting system.

See page 71 for details

ACTION Planning future IT investments

We believe the existence of high-quality system infrastructure is essential for deepening the trust of our customers. Under the Medium-term Management Plan, we propose to invest approximately ¥500 billion over five years as an “IT investment for stable, sustainable business operations”

involving the core system we have conventionally operated. In addition, we will invest approximately ¥130 billion as a “strategic IT investment for new growth” and promote DX.

IT investment plan

Strategic IT investments to realize new growth

Advancing DX

Innovations in retail business

While putting safety and security foremost, we will expand digital services that all customers can readily use

Work reforms and productivity improvement

Fundamental business reforms and productivity improvement to tellers and Operation Support Centers, etc., through the active utilization of digital technology

Security system enhancements

Establishing sturdy security systems that adhere to international standards

AML/CFT system enhancements

Establishment of AML/CFT systems that adhere to standards equivalent to those of major domestic banks

Deepening market operations and risk management

Further sophistication of functions such as revenue management, simulation of the future, and risk level measurements

Strategic IT investments of approx. **¥130 billion** over 5 years are planned

IT investments to realize stable and sustainable business operations

Definitive renewals and maintenance of core systems, etc.

Renewals and improvements to branch teller terminals/ATMs of post offices throughout the country, etc.

IT investments of approx. **¥500 billion** over 5 years are planned

While maintaining a high-quality system base that can support trust in our Bank, we will assertively advance strategic investments in IT

Total: approx. **¥630 billion**



Our Foundation

Human Resource Strategies Diversity Management



Shigeyuki Sakurai
Managing Executive Officer

Diversity among human resources itself is a source of competitiveness

Human resources each have their own unique qualities and the potential for continuous growth, and are therefore an asset for companies. And the passion of each employee and their challenging initiatives will connect to the creation of significant value, which I am certain will become a source of competitiveness.

In light of changes in the business environment, we will provide voluntary and independent career building opportunities through internal recruitment, as well as new training opportunities such as “career design training (looking back over one’s career and utilizing one’s strengths)” and “selected training” (actively selecting learning opportunities), as a means of proactively engaging in employee growth and human resources development.

In parallel, we will further enhance initiatives for securing and training human resources for specialized fields.

Moreover, we will develop an environment in which employees can voluntarily and independently grow and challenge themselves, and thoroughly advance diversity management in aims of making work more worthwhile for each individual employee and in aims of robust corporate growth with a positive future outlook.

Under the Medium-term Management Plan, in addition to relocating human resources to increase staff in focus areas and securing and training human resources for specialized fields, we will create an environment that enables voluntary and independent growth and challenge-taking as a means of improving the motivation of our employees. Moreover, we will advance diversity management and expand flexible work styles to promote workplace environments that make it easier for employees to work, and that enable each individual employee to fully demonstrate their potential.

Make work more worthwhile for employees

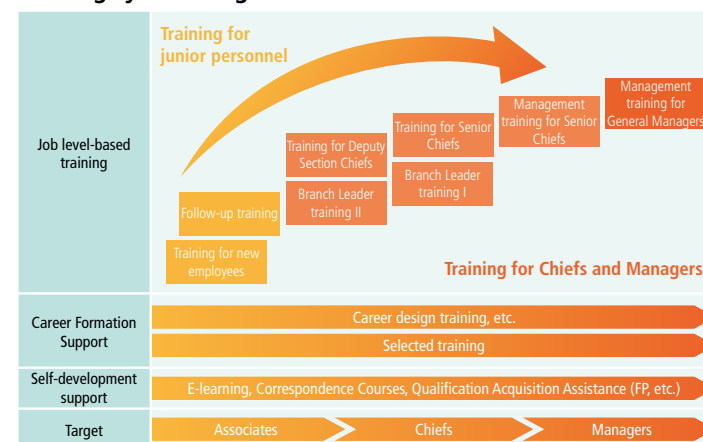
Human resource development

In consideration of employees’ aspirations, the Bank promotes career development by providing opportunities for them to raise their awareness and learn, so that they can map out and implement plans for that purpose for themselves.

Since 2021, we have also been revising our correspondence courses in order to help develop human resources for focus areas.

Moreover, in addition to existing job level-based training, we added new “career design training” and “selectable training” options, and will revise our human resources development system in order to expand the environment for voluntary and independent career building among our employees.

Training system diagram



Securing and training human resources for specialized fields

Through both outside recruitment and training of internal personnel, we strive to secure human resources for specialized fields (market/ALM/risk management, GP, cyber security, digitalization advancement, analytics (data

analysis), marketing, etc.).

In terms of outside recruitment, we hire experienced mid-career human resources in addition to new graduate hires through specialized courses.

In terms of training, we dispatch our employees to other companies to help them acquire knowledge and know-how in specialized fields. We also recruit employees willing to take on challenges through open calls within

the company with the intent of building an environment in which each individual employee will continue to undertake challenges with an eye on their future careers.

Advancement of diversity management

Promotion of Women’s Participation and Advancement in the Workplace

Based on the Act on Promotion of Women’s Participation and Advancement in the Workplace, we established a General Business Owner Action Plan and set as its goal increasing the ratio of women in management positions

to 14% or more by April 1, 2021. As of April 1, 2021, we had achieved 15.7%, exceeding the target. Going forward, we will work towards our new target of 20% or more by April 2026.

Support the work activities of generations providing childcare and nursing care, and those treating diseases

In order to ensure that each individual employee can continue to work without resigning their position at specific timings, including during pregnancy, birth, childcare, family care, and treatment of their own illnesses, we have established support systems that exceed the standards stipulated by the various laws and ordinances.

Along with expanding the options for telecommuting and raising awareness of this option through internal seminars and e-learning related to work-life balance, we also support employees in their own, independent efforts to balance work and life responsibilities.

Promoting the hiring of employee with disabilities

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.

In addition, we actively employ those with disabilities, including hiring such individuals to serve as in-house physiotherapists (Health Keepers) at certain Operation Support Centers since FY2017/3, and today employees with disabilities participate in organizations around Japan.



General view of the ARIGATO Center operation

Expansion of flexible work styles, elimination of harassment

Expansion and promotion of flexible work styles

We introduced telecommuting (remote-work) as a means of increasing operating productivity and of enabling employees to continuously demonstrate their abilities. The number of employees engaging in telecommuting is expanding in response to the need for diverse work styles.

Following the emergence of COVID-19, we responded by expanding telework (working from home, etc.), promoting a flextime system, staggered work, and alternate shifts. We will continue to further promote flexible work styles that are independent of time and place.



An employee working from home

Elimination of harassment

Along with inexcusably injuring the dignity of individual employees, workplace harassment also prevents employees from fully demonstrating their potential, specifically by decreasing their will to work and worsening health conditions, for example. Therefore, we are undertaking various initiatives to eliminate acts of harassment.

Initiatives for preventing harassment

- Sending out messages from upper management
 - Educating employees through training (executive training, job-level based training) and information magazines
 - Calling for, selecting, and awarding human rights slogans, and submitting these slogans to external organizations, such as the Japanese Bankers Association
 - Requesting partners to consider human rights
- Establishing a system that enables consultation with peace-of-mind**
- Locating harassment counselors (one male and one female in each business location)
 - Establishing an external harassment consultation desk

Stakeholder Communication

Communication with Shareholders and Investors

While aiming for sustainable growth and improvements in corporate value over the medium to long term, the Bank promotes the establishment of strong engagement with investors and shareholders.

Through these activities, we will deepen understanding of the Bank's business and reflect the opinions and requests of investors and shareholders in its management.

Preparation and announcement of disclosure policy	The Bank discloses its "Disclosure Policy" on its website. 📄 Home > Investor Relations > Management Policy > Disclosure Policy
Holding briefing sessions	(Analysts and Institutional Investors) The financial status of the Bank is explained by management through teleconferences held after the announcement of earnings results every quarter and half-yearly investors meetings, primarily for analysts and institutional investors in Japan. In FY2021/3, we held investors meetings by utilizing online video distribution in conjunction with teleconference Q&A sessions from the viewpoint of preventing the spread of COVID-19 infections. (Individual Investors) The Bank holds briefing sessions several times per year for individual investors throughout Japan in order to impart an understanding of matters such as the main features of the Bank and its business strategies, as well as shareholder returns. In FY2021/3, we held these sessions online from the viewpoint of preventing the spread of COVID-19 infections.
Holding individual meetings	In addition to conducting interviews with domestic analysts and institutional investors, several times a year the Bank also holds interviews with overseas institutional investors by participating in conferences for institutional investors sponsored by securities companies and conducting overseas IR by management. In FY2021/3, from the viewpoint of preventing COVID-19 infections, the Bank held meetings in non-face-to-face formats, such as teleconferences and web conferences.
Publication of IR materials on website	The Bank publishes earnings result information such as summary of financial results, timely disclosure materials other than earnings result information, securities reports and quarterly reports, the status of corporate governance, convocation notices for general meetings of shareholders, and materials for briefing sessions for investors on its website. 📄 Home > Investor Relations

TOPIC Holding online briefings for individual investors

In FY2021/3, the Bank held two briefing sessions for individual investors online in consideration of the impact of COVID-19. In January 2021, the executive officer in charge of the IR Department spoke during the event and held an extensive dialogue with individual investors through a Q&A session.



Scene from an online briefing session for individual investors (January 26, 2021, Briefing Speaker: Managing Executive Officer Makoto Shinmura)

Exchanges of Opinions with Shareholders and Investors

We hold briefings for individual investors in order to promote an understanding of matters such as our main features and business strategies, as well as shareholder returns. In FY2021/3, we held two such briefings in an online format, which were attended by 955 individuals in total.

We also hold discussions regarding the Bank's management strategy and other matters during the investors meetings held each half for analysts and institutional investors, as well as during individual meetings held throughout the year.

The 15th Ordinary General Meeting of Shareholders was held on June 17, 2021. On the day of the meeting, we introduced and provided answers to questions that the Bank had received in advance from shareholders via its website and, at the venue, received eight questions and valuable opinions from seven shareholders.



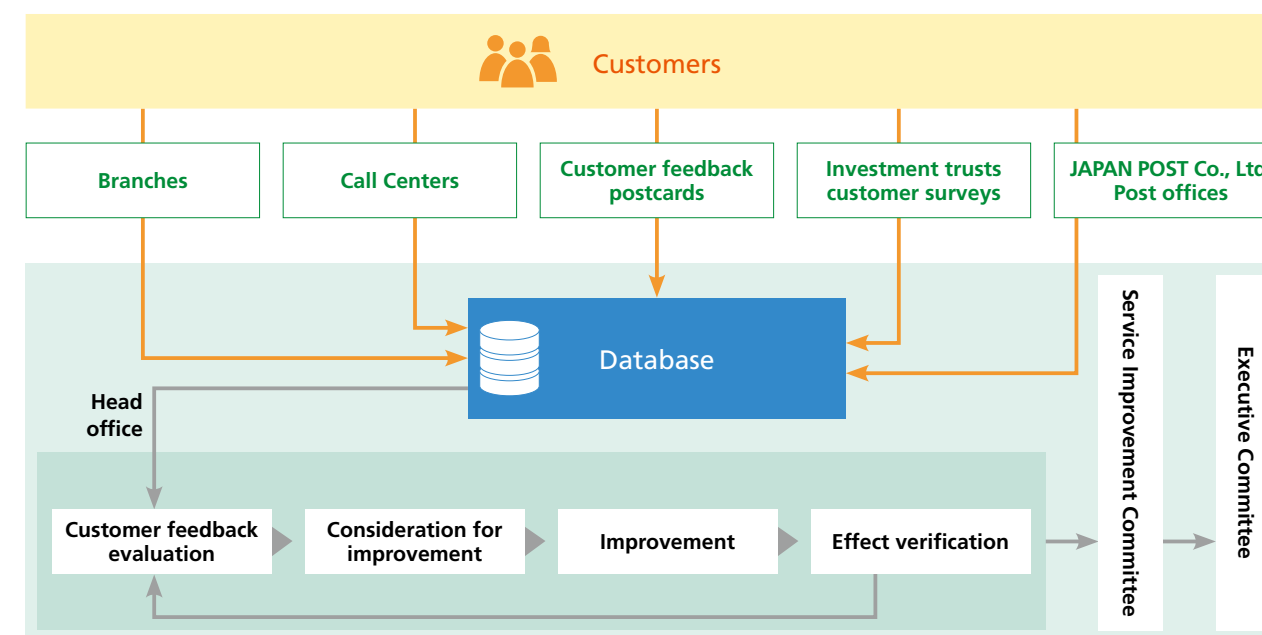
Scene from a General Meeting of Shareholders

Communication with Customers

Mechanism for applying customer opinions within business activities

The Bank has centralized management of all customer feedback received by our branches and call centers within the Head Office Customer Satisfaction Department. This feedback is shared throughout the Bank and is used to

develop and improve products and services. The results of these improvements are also reported to the Service Improvement Committee, chaired by the President and Representative Executive Officer, and to the Executive Committee.



Communication with Regional Communities

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.

In FY2021/3, we also prepared new textbooks using topics with which children are more familiar, including "financing and investment" and "electronic money, etc.," in response to opinions and requests from our branches.

Method

- Visiting lessons
- Seminars at branches
- Classes by instructors



Visiting lessons

Original textbooks for each grade



Textbook (electronic money, etc.)



Employee instructor tools



Textbook (financing and investment)





Complying with the TCFD Recommendations



Recognizing that responding to climate change and other factors that have a major impact on the environment, society and business activities, is an important issue for management, JAPAN POST BANK has incorporated various initiatives into our management strategy and is advancing the sophistication of our response.

The status of compliance with the TCFD Recommendations (statement of support released in April 2019) is as follows.

Governance

- The Bank has established a system in which the Board of Directors appropriately supervises reporting on the status of climate change response policy formulation and initiatives. The Board is responsible for supervising climate-related issues.
- In order to advance in a manner in which initiatives regarding sustainability, including climate-related issues, are integrated into the management strategy, the ESG·CSR Committee under the jurisdiction of the Executive Committee, and the Board of Directors held discussions prior to incorporating these initiatives into the Medium-term Management Plan (five-year plan), which began in FY2022/3.
- The Bank regularly reports on initiative progress to the Board of Directors, and will continue to move forward in a manner in which sustainability related initiatives, including climate-related efforts, are integrated into management plans.

Strategy

Risks and Opportunities We identified the risks and opportunities related to climate change as follows.

Physical Risks

Assumed as damage to the ATMs and other assets owned by the Bank due to natural disasters and an increase in the credit risk of investee companies, etc.

Transition Risks

Assumed as risks that the securities holdings of the companies in which the Bank is investing, companies that are greatly affected by

environmental regulations, will suffer a decline in value due to a tightening of regulations, etc.

Opportunities

It is assumed that there will be improvements in the capital markets and society's evaluations by appropriate measures and disclosures related to climate-related issues, and that financing opportunities for renewable energy businesses and green bond investment opportunities will increase.

Scenario Analyses

- To quantitatively ascertain the impact of climate change-related risks on the Bank's management portfolio, we conducted scenario analyses.
- As part of these analyses, we identified "utilities," "resources and energy," and "automobiles" as sectors of high importance based on the characteristics of the Bank's management portfolio, and applied these as the subjects of analysis.
- We investigated impacts based on 2°C and 4°C warming scenarios by using analyses such as the Sustainable Development Scenario (SDS) and the Stated Policies Scenario (STEPS) described in the IEA's (International Energy Agency) World Energy Outlook 2020 report.
- We quantitatively analyzed the ways in which the parameters that will have a significant impact on each sector will have a financial impact on each sector and the Bank's investments.

🔵 Events with the potential to increase the value of the Bank's investments 🔴 Events with the potential to degrade the value of the Bank's investments

	2°C	4°C
Utilities	<ul style="list-style-type: none"> Higher renewable energy business revenue due to greater use of renewable energy Higher costs due to introduction/expansion of carbon taxes and to stranded fossil fuel assets 	<ul style="list-style-type: none"> Lower power generation costs due to continued reliance on fossil fuels Higher costs of addressing more intense abnormal weather
Resources and energy	<ul style="list-style-type: none"> Higher income due to expanded investment in renewable energy technologies coinciding with greater demand for renewable energy Higher costs due to introduction/expansion of carbon taxes and lower fossil fuel business revenue due to the same 	<ul style="list-style-type: none"> Higher fossil fuel revenues due to continued reliance on fossil fuels Higher costs of addressing more intense abnormal weather
Automobiles	<ul style="list-style-type: none"> Higher revenue coinciding with greater use of electric vehicles, etc. Higher costs due to introduction/expansion of carbon taxes and lower sales of internal combustion engine vehicles due to the same 	<ul style="list-style-type: none"> Higher sales of internal combustion engine vehicles due to continuation of existing regulations and market conditions Higher repair costs due to more intense abnormal weather

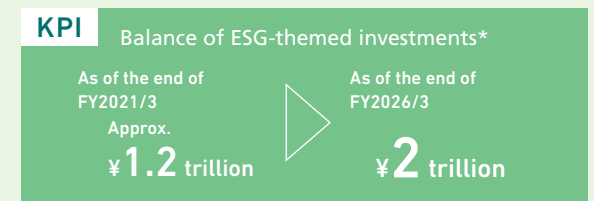
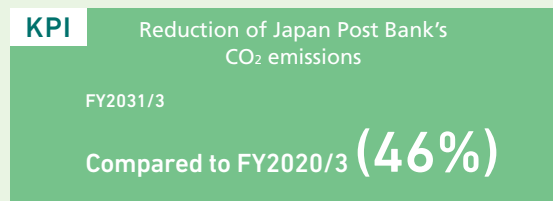
Based in part on the results of these analyses, we will investigate the quantitative impacts in consideration of the Bank's management portfolio characteristics on an ongoing basis.

Risk Management

- We have positioned climate change-related risk as one of the greatest risks for the Bank, and will take the necessary actions upon reflecting our response to this risk in management plans and upon a quantitative review of the control status conducted by the ESG Team established within the Corporate Planning Department.
- We are advancing diversified international investments based on our "ESG Investment Policy," which stipulates policies related to investments in consideration of sectors that may affect climate change (coal-fired power generation, etc.) and various international agreements. In the years to come, we will continue to consider further enhancing this policy from the perspective of fulfilling and contributing to climate change obligations as an institutional investor.

Metrics and Targets

- In order to contribute to the achievement of carbon neutrality by 2050 and a sustainable society, we established the following targets.



* ESG bonds (green bonds, social bonds (including pandemic bonds), sustainability bonds), loans to the renewable energy sector, and regional revitalization funds, etc.

Environmental Management

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.

Environmental Conservation Activities

• Yucho Volunteer Savings

Part of the interest received from customers is used as a donation for environmental conservation in developing countries. (Cumulative total from launch of transactions until March 31, 2021: ¥34.34 million)

• Yucho Eco-Communication

We are working to reduce the amount of paper used and donating some of the results to environmental conservation groups nationwide and thereby supporting activities that contribute to sustainable regional development. (Cumulative total from start of initiative to March 31, 2021: ¥19.50 million)

Environmentally-friendly Business

Yucho 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 Yucho 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 computer, home computer or smartphone. 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.

ESG Investment Policy

Considering the growing demand from stakeholders for initiatives regarding climate change and other issues faced by society, as well as JAPAN POST BANK's endorsement of the TCFD Recommendations, JAPAN POST BANK formulated a policy to make investments that heed

international agreements when advancing diversified international investments. This policy was disclosed in May 2019. Moreover, in December 2020 we revised our ESG Investment Policy, which included making policies on investing in the coal-fired power generation sector more rigorous.



Governance

A Message from an Outside Director



Becoming a Bank That Impresses Its Customers

Katsuaki Ikeda
Outside Director

Desiring to Instill a Customer-oriented Perspective

During FY2021/3, JAPAN POST BANK experienced numerous instances of damage due to fraudulent use of its cashless payment services. And it received extremely harsh warnings from customers and related parties regarding its inability to fully defend against this kind of fraudulent use and the long time it required to compensate customers who had suffered damages.

Under the recognition that this problematic situation cannot be overlooked, the Audit Committee directly instructed the Internal Audit Division to conduct an investigation into the facts of the matter. Following this, the Committee reviewed the Bank's governance based on the results of this investigation and interviews with executive officers, immediately reported such to the Board of Directors, and made suggestions. Based on these suggestions, the executive team rapidly advanced various

initiatives so that today the Bank offers greater security and has established a compensation system for customers who have suffered.

Although our review did not discover any fatal defects among this chain of events from a governance standpoint, I believe that this kind of incident could not have happened if every department within the Bank fully took the perspective of the "customer." There will always be a risk that the Bank will face unprecedented fraudulent use as digitalization continues to advance. I therefore believe that the most important factor in preventing a recurrence is for management teams to take the lead in ensuring that each individual employee is fully conscious of maintaining a customer-oriented perspective. As a result, I expect to see every part of the Bank respond at a level that impresses its customers.

Carrying Out the Roles that Must be Played by the Bank under the Medium-term Management Plan (FY2022/3 through 2026/3)

As for the recently announced Medium-term Management Plan, the Bank conducted active discussions covering a wide range of issues. Among these, discussions focused on "business model innovations" and "financial target formats" with an eye to the future of Bank management under a harsh economic environment that includes long-term, ongoing low interest rates.

I do not believe that it is proper for the Bank as a

member of the JAPAN POST GROUP, which is responsible for providing universal services, to simply aim for numerical improvements in terms of how the Bank defines the profitability targets (ROE, etc.) and efficiency targets (overhead ratio, etc.) for which it must aim. In other words, I believe the Bank must pursue the best solutions that can balance numerical targets that are acceptable to shareholders as a stock company with the roles the Bank must play, specifically

providing "reliable and thorough" financial services "safely and securely" to anyone and everyone throughout Japan.

The Bank also established four priority issues regarding ESG management in the Medium-term Management Plan to accelerate its efforts. One of these is particularly important to me, namely "contributing to regional economic expansions." As far as the measures that are responsible for the core of this priority issue target regional revitalization funds are concerned, if anything, I expressed a negative viewpoint regarding this concept during the Board of Directors meeting that was held during the planning stage for this priority issue. Specifically, I stated that "expanding profits is an urgent issue, and thus requires priority to be placed on expanding fee and commission income and on increasing the sophistica-

tion and diversity of investments over investing management resources in regional vitalization funds."

As time passed and I carefully considered the value that only the Bank can provide, in other words the significance of the Bank's existence, however, I began to think about this in a very different manner than at first. Eventually, I recognized that aiming for lofty goals that every employee can get behind was what was truly important. Specifically, I realized that "regional vitalization funds" were an appropriate initiative for the Bank as a member of the JAPAN POST GROUP with its responsibility to provide basic financial services throughout Japan. In part due to this belief, I intend to primarily focus on the initiative of "contributing to regional economic expansions" as one of the Bank's priority issues while considering profit aspects.

A Free, Open, and Highly Effective Board of Directors

Having served as a director at several companies in Japan and abroad in the past, I believe that it is a rarity to find companies where every outside director can express their opinions as openly as at the Bank, and where the executive team sincerely acknowledges those opinions and reflects them in management. I also praise the fact that the internal directors have engendered this kind of atmosphere within the Board of Directors. Moreover, the careers of the outside directors are truly wide ranging, and I can only gaze in awe at the fact that they provide opinions rooted in knowledge. For this reason, I am always able to gain new insights from the

opinions of each director. Moreover, information provided to the Board of Directors is prepared in the form of open, detailed documents. Given these aspects, I am confident the Board of Directors is highly effective in providing oversight.

On the other hand, in addition to the large number of matters reported at the Board of Directors, another issue is the massive volume of documents specifically due to their detailed nature. Although these should be welcome from the standpoint of audits, we are unable to review every document in an exhaustive manner, so I believe this is an area that leaves room for improvement.

Expectations for Aggressive, Bold Innovations at JAPAN POST BANK into the Future

During the same year I was appointed as an outside director, the Bank was successfully listed on the Tokyo Stock Exchange. Although at first it occasionally appeared to me that there were areas where the Bank was unfamiliar in communicating with shareholders, the Bank made improvements each period following the first general meeting of shareholders, and today has come to address shareholders in a fulfilling manner. I am very much surprised at the sense of speed and energy with which the Bank has adapted. As one example, I feel that the extremely high level of potential and skill among the Bank's employees and the serious stance with which they engage in their mission is phenomenal. And I anticipate that these strengths of the employees will have a major impact on future growth.

Moreover, the Bank has advanced reforms in its corporate culture targeted at improving upon the weaknesses in cooperation between departments that were made apparent by the Bank's response to the fraudulent use of its cashless payment services that I mentioned above. Although I do believe the Bank must advance these efforts to a considerable degree, from my perspective, I believe this issue is shared by all corporate organizations, albeit to different degrees. Rather, the essential issue for JAPAN POST BANK going forward will be to make a Group-wide effort to seek out the contours



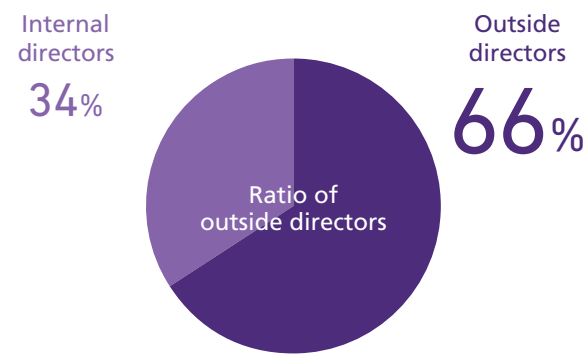
I believe it is a rarity to find companies where every outside director can express their opinions as openly as at the Bank, and where the executive team sincerely acknowledges those opinions and reflects them in management.

of "universal services within a new era," while at the same time taking the stance of quickly adapting to the times and of making bold reforms with a greater awareness that the Bank is a "commercial enterprise entrusted by its shareholders." I am determined to cooperate in these innovations with everything I have.

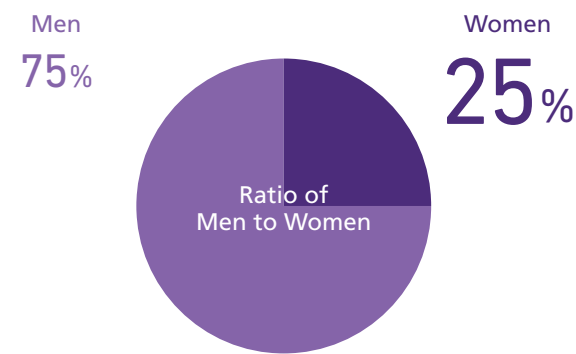
Features of JAPAN POST BANK Corporate Governance

(As of July 1, 2021)

Adopted a company with **three statutory committees system** to accelerate management decision-making and improve transparency



Gender **diversity** on its Board of Directors



The Board of Directors has outside directors with **diverse experience and knowledge**



Management



Human resource development



Internet marketing

Backgrounds of Outside Directors



Legal



Finance / accounting



Finance

The three committees **mainly comprise outside directors**

Nomination Committee
Number of members

Outside directors **3**

Internal directors **2**

Compensation Committee
Number of members

Outside directors **3**

Internal director **1**

Audit Committee
Number of members

Outside directors **3**

Internal director **1**

Basic Stance

With a view to its sustainable growth along with improvement of its corporate value over the medium to long term, JAPAN POST BANK attaches great importance to relationships with its all stakeholders, including shareholders, and will maintain 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 the 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.

Evaluation of Effectiveness of the Bank's Board of Directors

Evaluation Method

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

As part of this evaluation, we conduct a self-evaluation through a questionnaire of the Board of Directors' members. Some of the details of the questionnaire conducted in advance of this evaluation are as follows.

- Is there a sufficient balance between knowledge, experience, and capability regarding the Bank's management and matters pertaining to this (finance, accounting, legal, etc.) and is there sufficient diversity in terms of member background?
- Is there an atmosphere that prioritizes free, open, and constructive discussions and exchanges of opinions, including posing of problems by the outside directors?
- Is information regarding the Bank's management, finances, risk management, and compliance, as well as information regarding the Bank's management issues, etc., provided to the outside directors in a timely, precise manner?

Summary of evaluation results

The Bank's Board of Directors comprises a majority of outside directors with diverse knowledge and experience. Each director exchanges unreserved opinions from his or her respective standpoint and engages in vigorous discussions on important management issues. In FY2020, in the midst of rapidly spreading novel coronavirus (COVID-19) infections, there were also efforts made to further upgrade and expand discussion, such as improving the remote attendance environment and improving the environment for previewing the explanatory materials used at Board of Directors' meetings. Including lively discussions and appropriate supervision on important management decision-making matters, such as the Medium-term Management Plan, we evaluate that the effectiveness of the Board of Directors as a whole has been ensured.

Issues

However, prompted by cases of the fraudulent use of cashless payment services, we recognized that it is necessary for the Board of Directors to gain an understanding of important management issues at an earlier stage. For this reason, we recognize the early transmission of important information to the Board of Directors, the further clarification of important matters and issues in the explanatory materials used at Board of Directors' meetings, and the improvement of the follow-up methods for matters for continuous discussion as being among the future issues toward further improving the Board of Directors' effectiveness. We also recognize that there is room for improvement in the management of the Board of Directors, such as narrowing down the agenda items and allocating time according to their importance.

Initiatives for the future

Based on the recognition of issues described above, we will work to improve the explanatory materials used at Board of Directors' meetings and the management of the Board of Directors so that outside directors in particular will be able to demonstrate their knowledge to an even greater extent. At Board of Directors' meetings, improvements will be made to devote more deliberation time to important management issues. Through these measures, we will work to further revitalize discussions at the Board of Directors' meetings and further enhance the supervisory function of the Board of Directors.

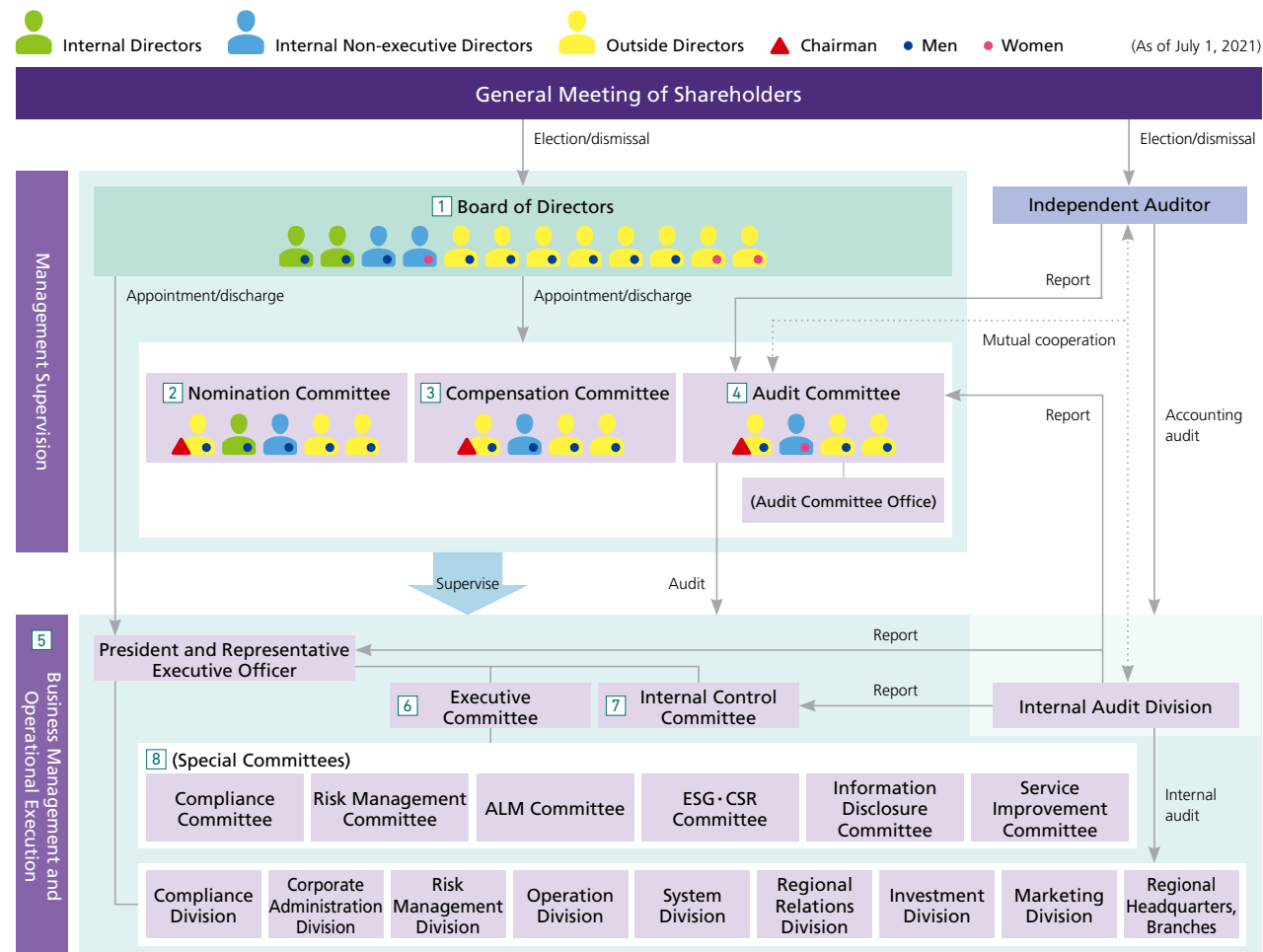
Main Topics of Discussion at Board of Directors' Meetings in FY2021/3

- Formulation of Medium-term Management Plan (FY2022/3 through FY2026/3)
- Risk Appetite Statement
- Formulation of FY2022/3 management plan
- Promotion of FY2021/3 management plan
- Responses to the fraudulent use of cashless payment services
- Customer-oriented service improvements
- Promotion of measures to counter money laundering/the financing of terrorism
- Strengthening of cyber security management systems
- Promotion of ESG
- Operational status of the "Basic Policies for the Internal Control System"

Our Foundation

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.



Composition, Attendance Status, and Outside Director Skills for the Board of Directors and the Three Committees

		Board of Directors	Nomination Committee	Compensation Committee	Audit Committee	
Internal Directors	Norito Ikeda	13 times/13 times	1 time/1 time			
	Susumu Tanaka	13 times/13 times				
Internal Non-executive Directors	Hiroya Masuda	11 times/11 times	1 time/1 time	2 times/2 times		
	Atsuko Onodera	11 times/11 times			14 times/14 times	Outside Director Skills
Outside Directors	Katsuaki Ikeda	13 times/13 times		4 times/4 times	Chairman 18 times/18 times	Finance / accounting
	Ryoji Chubachi	13 times/13 times	2 times/2 times	Chairman 4 times/4 times		Management
	Keisuke Takeuchi	13 times/13 times	1 time/1 time	4 times/4 times		Management
	Makoto Kaiwa	13 times/13 times	Chairman 2 times/2 times			Management
	Risa Aihara	13 times/13 times				Internet marketing
	Hiroshi Kawamura	11 times/11 times			14 times/14 times	Legal
	Kenzo Yamamoto	10 times/11 times			14 times/14 times	Finance
	Shihoko Urushi	—	—	—	—	Human resource development

* FY2021/3 (April 2020 to March 2021) attendance/meeting frequency (following appointment)

1 Board of Directors

The JAPAN POST BANK Board of Directors has 12 members. 2 of the directors also serve as Executive Officers, and the other 8 directors are Outside Directors who work to oversee the Bank's operations.

2 Nomination Committee

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

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.

4 Audit Committee

This committee audits the execution of duties by executive officers and directors and prepares audit reports and determines the content of proposals regarding the election and dismissal of accounting auditors and the refusal to reelect accounting auditors to be submitted to a shareholders' meeting.

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 salary" 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.

ESG·CSR Committee

The ESG·CSR Committee formulates basic policies and action plans for ESG·CSR 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.

Service Improvement Committee

This Service Improvement Committee discusses and reports on the content of the policy relating to customer-oriented business operations, the formulation of plans relating to the improvement of customer-oriented products and services and other important items including the status of implementation.

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.

more info
Criteria for Election or Dismissal of Executive Officers

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

more info
Criteria for Nomination of Director Candidates

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

Our Foundation

Policy for Determining Amount or Calculation Method of Compensation, etc., for Directors and Executive Officers

(As of July 1, 2021)

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

- | | |
|---|---|
| <p>(1) When serving concurrently as a director and executive officer, compensation shall be paid for the position of executive officer.</p> <p>(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</p> | <p>management, and the like.</p> <p>(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.</p> |
|---|---|

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 achieve-

ment 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. $(1) \times (2) \times (3)$ 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)*	At time of retirement (shares, however a certain portion in cash)

* The indicators for FY2021/3 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

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.

Concerning the JAPAN POST GROUP Agreement

JAPAN POST HOLDINGS Co., Ltd. is the parent company of the Bank, and the Bank is the only bank in the corporate group of JAPAN POST HOLDINGS Co., Ltd. corporate group (JAPAN POST GROUP).

The Bank has close personal, capital and other relationships with JAPAN POST HOLDINGS Co., Ltd., but it makes decisions based on the Bank's responsibility and conducts management and business operations independently.

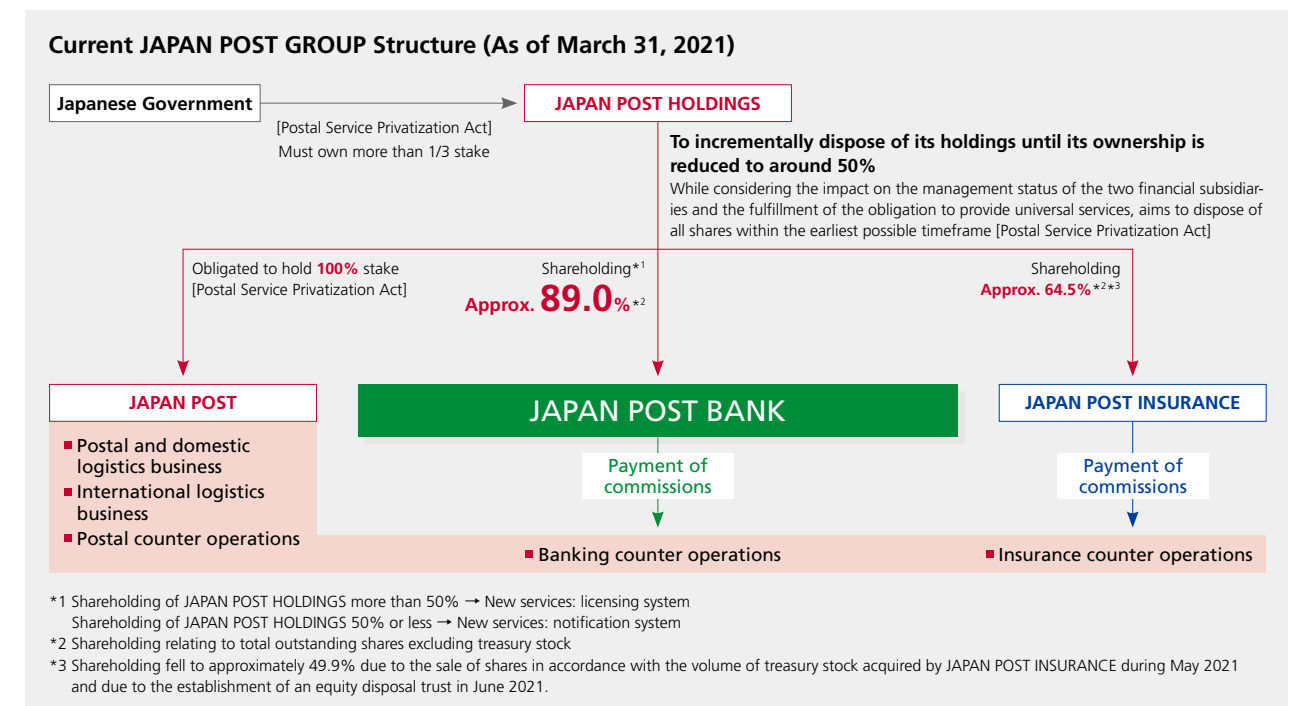
With a view to displaying the effects of mutual collaboration, cooperation and synergies in the JAPAN POST GROUP between JAPAN POST HOLDINGS Co., Ltd., JAPAN POST Co., Ltd. and JAPAN POST INSURANCE Co., Ltd. as well as increasing the value of Group companies and, in turn, that of the entire JAPAN POST GROUP, the Bank has prescribed fundamental matters relating to Group manage-

ment such as principles and policies common to the Group, and has concluded the JAPAN POST GROUP Agreement aimed at contributing to smooth Group operations.

Following this agreement, the Bank has entered into contracts regarding JAPAN POST GROUP operations with JAPAN POST HOLDINGS Co., Ltd. and these contracts decide important matters for Group operations that will be discussed in advance with and reported to JAPAN POST HOLDINGS Co., Ltd. but specify that JAPAN POST HOLDINGS Co., Ltd. will not hinder or restrain the decision-making of the Bank. Furthermore, the above agreement stipulates that the operating subsidiaries of JAPAN POST HOLDINGS, including the Bank, will take advantage of the fact that it belongs to the JAPAN POST GROUP and carry out independent and autonomous management.

[more info](#)
JAPAN POST GROUP Agreement

[Home](#) > [English Home](#) > [Japan Post Group](#) > [Group Governance](#)



Our Foundation

Board of Directors, Executive Officers and Managing Directors

(As of July 1, 2021)

Directors



Norito Ikeda

Biography

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

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.



Hiroya Masuda

Biography

Apr. 1977 Joined the Ministry of Construction Jul. 1994 Director for Construction Disputes Settlement, Construction Industry Division, Economic Affairs Bureau, Ministry of Construction Apr. 1995 Governor of Iwate Prefecture Aug. 2007 Minister for Internal Affairs and Communications Minister of State for Special Missions Apr. 2009 Advisor of Nomura Research Institute, Ltd., Visiting Professor of Graduate School of Public Policy, The University of Tokyo (current position) Jan. 2020 Representative Executive Officer, President & CEO of JAPAN POST HOLDINGS Co., Ltd. Jun. 2020 Director of JAPAN POST BANK Co., Ltd. (current position), Director and Representative Executive Officer, President & 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)

Reasons for Appointment

Mr. Hiroya Masuda successively held various important posts in government administration, including Governor of Iwate Prefecture and Minister for Internal Affairs and Communications, as well as serving as Chairman of the Postal Service Privatization Committee, and has sufficient knowledge about JAPAN POST Group. In addition, he 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.



Susumu Tanaka

Biography

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

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.



Atsuko Onodera

Biography

Apr. 1981 Joined the Ministry of Posts and Telecommunications Jun. 1998 Head of Council Office, Secretariat Division, Minister's Secretariat of the Ministry of Posts and Telecommunications Jul. 2001 Director of Marketing Section, Postal Life Insurance Department of the Postal Services Agency Apr. 2003 General Manager of Public Relations Department, Public Relations Division of Japan Post Corporation Jul. 2006 Vice President of Kanto Regional Office of Japan Post Corporation Oct. 2007 Executive Officer of Japan Post Network Co., Ltd. (current position) Apr. 2017 Managing Executive Officer of JAPAN POST BANK Co., Ltd. (current position) and President of Hokkaido Regional Office of Japan Post Network Co., Ltd. Sept. 2013 Executive Officer and Principal of Postal College of JAPAN POST HOLDINGS Co., Ltd. Jun. 2017 Managing Executive Officer of JAPAN POST BANK Co., Ltd. Jun. 2020 Director of JAPAN POST BANK Co., Ltd. (current position)

Reasons for Appointment

Ms. Atsuko Onodera successively held various important posts at JAPAN POST HOLDINGS Co., Ltd. and JAPAN POST Co., Ltd., and has experience in the management of JAPAN POST BANK as Managing Executive Officer, and as such JAPAN POST BANK expects that, with her abundant experience and achievements, she will sufficiently fulfill her role in enhancing the decision making function and supervision function of the Board of Directors.



Risa Aihara

Biography

Apr. 1996 Joined Nippon Telegraph and Telephone Corporation (current NTT Communications Corporation) May. 2000 Joined Recruit Co., Ltd. Jan. 2003 Representative Director and President of AILAND Co., Ltd. (current position) Jun. 2019 Director of JAPAN POST BANK Co., Ltd. (current position)

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.



Kenzo Yamamoto

Biography

Apr. 1976 Joined the Bank of Japan Feb. 2002 Director-General, Financial Markets Department of the Bank of Japan May. 2003 Associate Director-General, Representative Office in New York of the Bank of Japan Dec. 2003 General Manager for the Americas and Chief Representative in New York of the Bank of Japan Jul. 2005 Director-General, Payment and Settlement Systems Department of the Bank of Japan Jul. 2006 Director-General, Financial System and Bank Examination Department of the Bank of Japan May. 2008 Executive Director of the Bank of Japan Jun. 2012 Chairman of NTT Data Institute of Management Consulting, Inc. Mar. 2016 Member of the Board as Outside Director of Bridgestone Corporation (current position) Jun. 2018 Representative of Office KY Initiative (current position) Feb. 2019 Director of TOMIYAMA CULTURAL FOUNDATION (current position) Jul. 2019 Outside Director of SUMITOMO LIFE INSURANCE COMPANY (current position) Jun. 2020 Director of JAPAN POST BANK Co., Ltd. (current position)

Reasons for Appointment

Mr. Kenzo Yamamoto successively held various important posts at the Bank of Japan, and JAPAN POST BANK expects him to sufficiently 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 in the financial market and financial system gained through his career.



Hiroshi Kawamura

Biography

Apr. 1977 Appointed as Public Prosecutor of Tokyo District Prosecutors Office Jul. 2008 Director-General, Trial Department of Supreme Public Prosecutors Office Jan. 2009 Chief Prosecutor of Chiba District Public Prosecutors Office Apr. 2010 Chief Prosecutor of Yokohama District Public Prosecutors Office Jan. 2012 Superintending Prosecutor of Sapporo High Public Prosecutors Office Jan. 2014 Superintending Prosecutor of Nagoya High Prosecutors Office Mar. 2015 Outside Corporate Auditor of Asahi Glass, Limited. (current AGC Inc.) Apr. 2015 Professor, Faculty of Law of Doshisha University (current position) Jun. 2015 Outside Auditor of ISHII IRON WORKS CO., LTD. Jun. 2016 Outside Director of ISHII IRON WORKS CO., LTD. (current position) Jun. 2020 Director of JAPAN POST BANK Co., Ltd. (current position)

Reasons for Appointment

Mr. Hiroshi Kawamura has been in the legal profession for a long time, and JAPAN POST BANK expects him to sufficiently 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 gained through his career as a legal professional. Mr. Kawamura 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.



Shihoko Urushi

Biography

Apr. 1986 Worked at a combined private junior high and high school for girls in Tokyo Apr. 1989 Worked at Shinagawa Joshi Gakuin Apr. 2004 Principal of Shinagawa Joshi Gakuin Sept. 2014 Member of the Education Rebuilding Implementation Council (Cabinet Office) (current position) Feb. 2016 Outside Director of Kewpie Corporation (current position) Apr. 2017 President of Shinagawa Joshi Gakuin (current position) Apr. 2018 Outside Director of Culture Convenience Club Co., Ltd. (current position) Jun. 2019 Outside Director of Nishin Fire & Marine Insurance Co., Ltd. Jun. 2021 Director of JAPAN POST BANK Co., Ltd. (current position), Audit & Supervisory Board Member of Tokio Marine & Nichido Fire Insurance Co., Ltd. (current position)

Reasons for Appointment

Ms. Shihoko Urushi has long served as president of an incorporated educational institution and a member of a government council, and has deep insight into school management, education and human resource development. JAPAN POST BANK expects her to sufficiently fulfill her role in enhancing the decision making function and supervision function of the Board of Directors as an Outside Director, based on her abundant experience and insights into these areas. Ms. Shihoko Urushi previously has not been involved in corporate management except as outside officer. However, we have determined that she has the capabilities to appropriately execute duties as Outside Director due to the above reasons.

Outside Directors*1



Katsuaki Ikeda

Biography

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

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.



Ryoji Chubachi

Biography

Apr. 1977 Joined Sony Corporation Jun. 1999 Corporate Vice President of Sony Corporation Jun. 2002 Corporate Senior Vice President of Sony Corporation Jun. 2003 Executive Vice President, Executive Officer of Sony Corporation Jun. 2004 Executive Deputy President, Corporate Executive Officer and Chief Operation Officer of Sony Corporation Apr. 2005 Electronics Chief Executive Officer of Sony Corporation Jun. 2005 President and Representative Corporate Executive Officer, Member of the Board of Sony Corporation Apr. 2009 Member of the Board, Representative Corporate Executive Officer, Vice Chairman of Sony Corporation Apr. 2013 President of National Institute of Advanced Industrial Science and Technology (incorporated administrative agency) Apr. 2015 President of National Institute of Advanced Industrial Science and Technology (after changed legal status to a national research and development institution) Jun. 2018 Director of JAPAN POST BANK Co., Ltd. (current position) Apr. 2020 Grand Emeritus Advisor of National Institute of Advanced Industrial Science and Technology (current position)

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 sufficiently 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.



Keisuke Takeuchi

Biography

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

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 sufficiently 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.



Makoto Kaiwa

Biography

Apr. 1973 Joined Tohoku Electric Power Co., Inc. Jun. 2005 Director and General Manager of Corporate Planning Dept. of Tohoku Electric Power Co., Inc. Jun. 2007 Senior Executive Officer and General Manager of Niigata Branch Office of Tohoku Electric Power Co., Inc. Jun. 2009 Representative Director & Executive Vice President in charge of Investor Relations of Tohoku Electric Power Co., Inc. Jun. 2010 Representative Director & President of Tohoku Electric Power Co., Inc. Jun. 2015 Representative Director & Chairman of the Board of Tohoku Electric Power Co., Inc. Jun. 2019 Director of JAPAN POST BANK Co., Ltd. (current position) Apr. 2021 Director & Chairman Emeritus of Tohoku Electric Power Co., Inc. (current position)

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 sufficiently 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.

Executive Officers

President and Representative Executive Officer
Norito Ikeda

Representative Executive Vice President
Susumu Tanaka

Executive Vice President
Yoshinori Hagino

Senior Managing Executive Officer
Harumi Yano

Senior Managing Executive Officer
Takayuki Kasama

Senior Managing Executive Officer
Minoru Kotouda

Managing Executive Officer
Masato Tamaki

Managing Executive Officer
Toshiyuki Yazaki

Managing Executive Officer
Takayuki Tanaka

Managing Executive Officer
Makoto Shinmura

Managing Executive Officer
Shigeyuki Sakurai

Managing Executive Officer
Nobuhiro Fukuoka

Managing Executive Officer
Kunihiko Amaha

Managing Executive Officer
Shinobu Nagura

Executive Officer
Yoko Makino

Executive Officer
Satoru Ogata

Executive Officer
Toshiharu Ono

Executive Officer
Ryotaro Yamada

Executive Officer
Haruchika Tsukioka

Executive Officer
Hideki Nakao

Executive Officer
Etsuko Kishi

Executive Officer
Koji Iimura

Executive Officer
Masaya Touma

Executive Officer
Akihiro Den

Executive Officer
Katsuya Fukushima

Executive Officer
Koji Hasukawa

Managing Directors*2

Executive Managing Director
David Sancho Shimizu

Executive Managing Director
Hideya Sadanaga

Executive Managing Director
Kazunari Yaguchi

Managing Director
Tatsuo Ichikawa

Managing Director
Kazutoshi Rokushima

Managing Director
Shunsuke Sone

Managing Director
Masashi Nakamura

Managing Director
Kazuhiro Adachi

Managing Director
Mari Ishikawa

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

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

ON FOCUS Formulation Process for the Medium-term Management Plan (FY2022/3 through FY2026/3)

— Deepening trust, and taking on the challenge for financial innovations

Incorporating suggestions from the outside directors

During FY2021/3, the JAPAN POST BANK Board of Directors held discussions over an extended period in working to formulate the Medium-term Management Plan. The outside directors presented a multitude of suggestions and questions, and the results of these discussions were reflected in the Medium-term Management plan through repeated dialogue between the internal directors and the executive officers.



Holding remote Board of Directors' meetings

In consideration of the spread of COVID-19, JAPAN POST BANK currently holds the Board of Directors' meetings remotely. The chairman leads the deliberation of proposals upon verifying that the attendees are able to assemble as

well as share their opinions in a timely, precise manner via a conference system that immediately conveys the audio of the attendees to each other.

Discussions regarding the Medium-term Management Plan



Major suggestions from the outside directors

- ▶ Within the Medium-term Management Plan, we ask the Bank to promote the significance of its existence in terms of how it contributes as part of society.
- ▶ JAPAN POST BANK must consider initiatives that are unique to the Bank. Because the Bank's business model differs from that of other banks, it must promote its unique initiatives, such as regional vitalization.
- ▶ The Medium-term Management Plan must be considered from the two standpoints of "profitability" and the Bank's "public nature." In terms of profitability, we ask that the Bank clarifies its growth strategy as the basis of the Plan. The Bank's public nature is also important, and the Bank must fulfill its unique social mission as a bank with a nationwide network.
- ▶ Amid today's harsh business conditions, improving corporate strength and business operations, as well as strengthening the sustainability of business, will likely connect to recognition from outside.
- ▶ The greatest challenge for the Bank is increasing profitability, so we ask that the Bank focuses on sales activities after reinforcing business management systems that rely on a customer-oriented standpoint. Moreover, we ask that the Bank delve more deeply into approaches to enhancing its market investment capabilities as its core business.
- ▶ The Bank must continuously consider strategies that leverage its many channels and branches, particularly in local areas, and ways of merging its digital and physical channels.
- ▶ Introducing digital tools that are easy to use, even for customers that are unfamiliar with digital services, and support for digital services through physical channels are important as factors that will set the Bank apart from other banks.
- ▶ We ask that the Bank works to increase transaction fee and commission income by expanding new transaction fee and commission options in the retail business.
- ▶ From the perspective of consistently providing safe, secure services to a broad range of customers, the Bank must also work on revising its various transaction fee and commission rates.
- ▶ Given the expansion of investments in risk assets as a means of increasing income amid today's harsh business conditions, which are due to ongoing low interest rates, the Bank must expand capital in a way that considers the results of stress tests.
- ▶ Amid a social and economic environment that present an uncertain outlook, the Bank must build an organizational structure that can move agilely, even in the event of contingencies.
- ▶ Descriptions of ESG Management must mention specific initiatives. In particular, we ask that the Bank expand upon entries regarding Environment.
- ▶ The Bank must consider medium- to long-term hiring strategies, including how to hire necessary expert human resources, and what to aim for in terms of human resources composition.
- ▶ Proposing an excessive number of numerical targets may instead obscure the Bank's primary targets, so we ask that the Bank fully investigates what it should establish as management targets.

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.

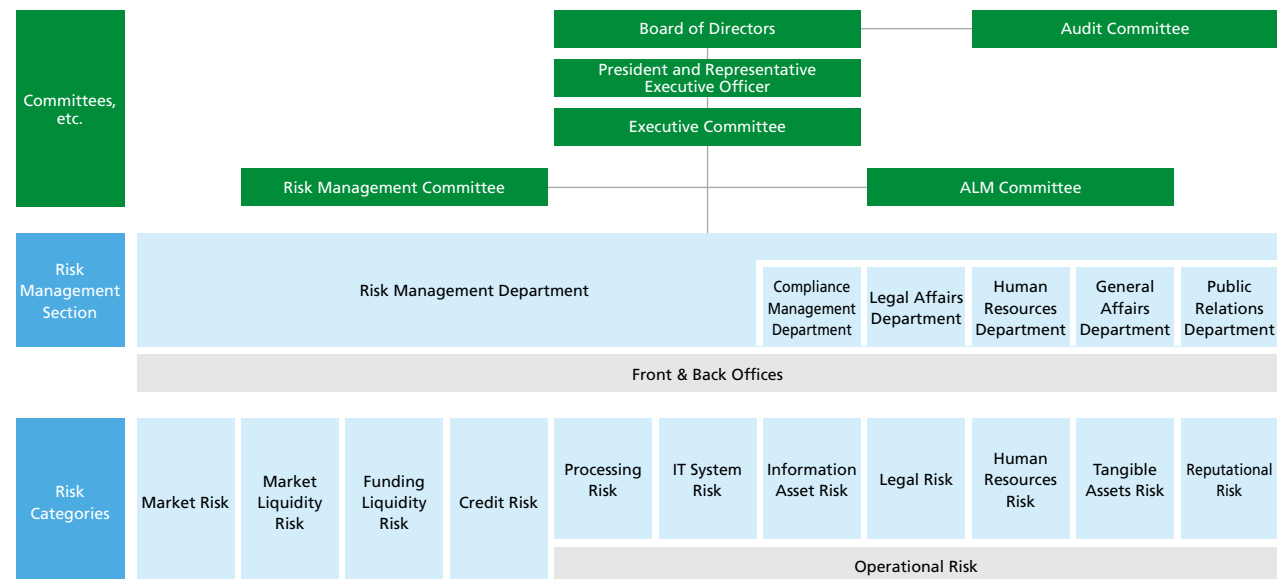
We have established special advisory committees to

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, 2021)



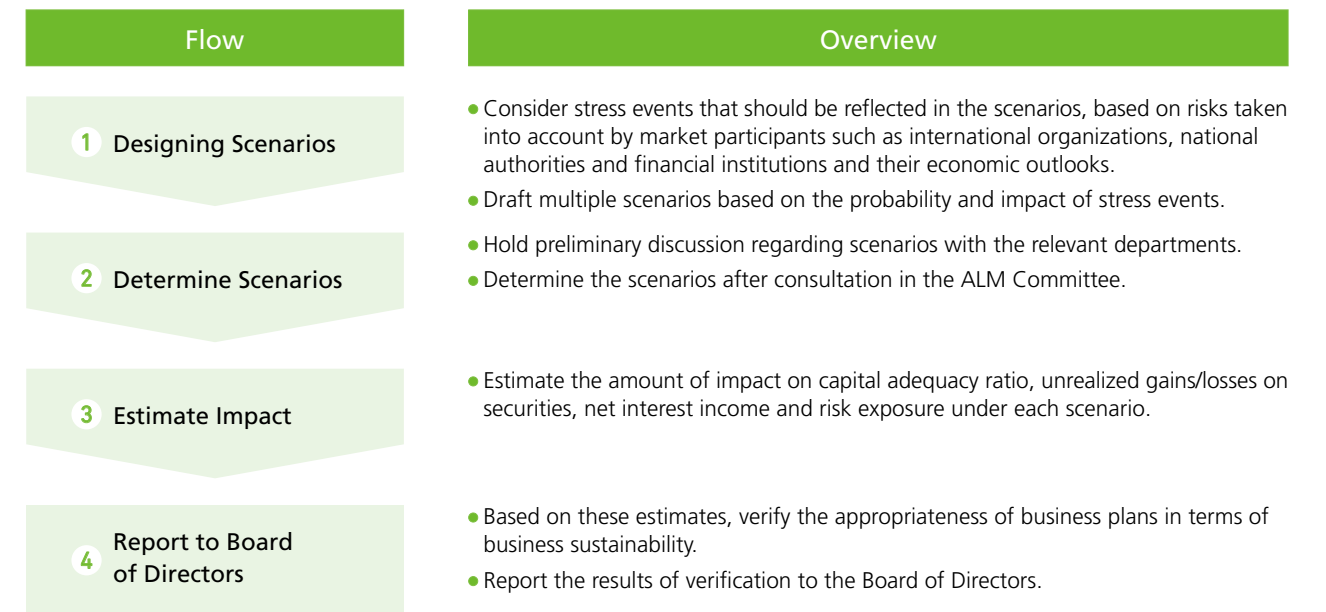
Integrated Risk Management

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.

Performing Stress Tests



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.

The Risk Capital Allocation chart is on page 95.

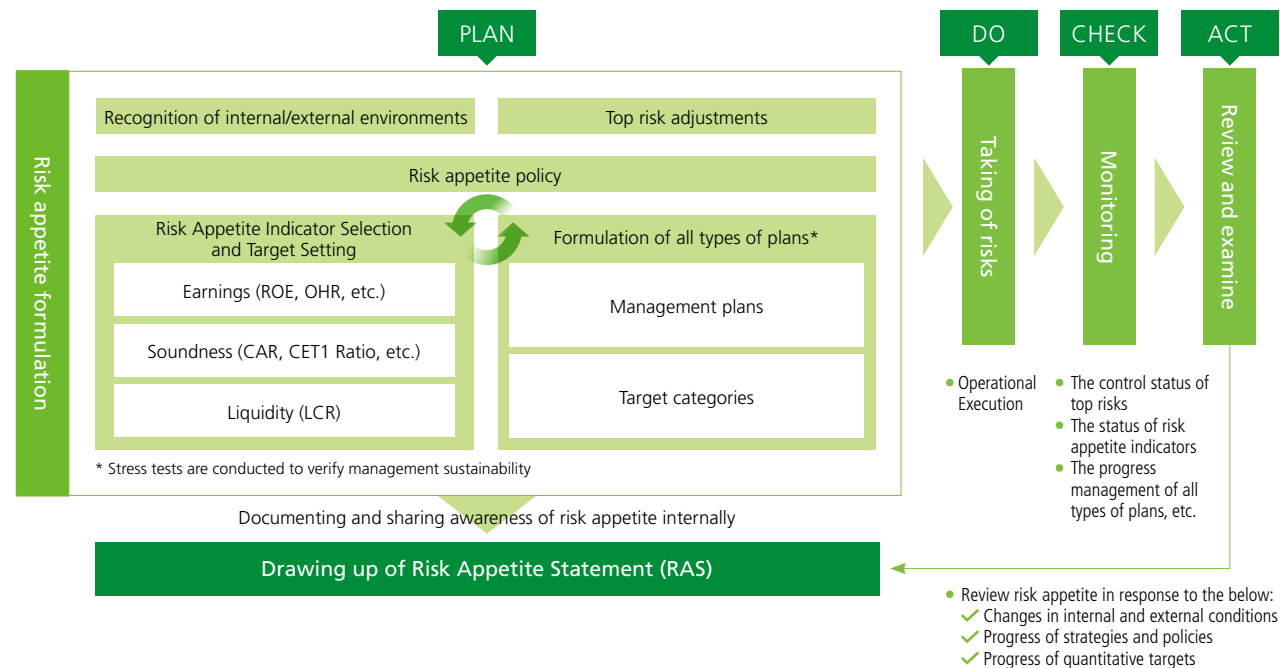
Risk Appetite Framework*

The Bank introduced a Risk Appetite Framework (RAF) to ensure 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.

* A business management framework used as common language between banks pertaining to all aspects of risk-taking policies, including the capital distribution and profit maximization of risk appetites (the type and total quantity of risks a company should willingly take on to fulfil its business plans after taking into account the unique aspects of the company's own business model).

Risk Appetite Framework Management Process

Words in parentheses are the main risk appetite indicators



Selecting Top Risks

Within the RAF framework, JAPAN POST BANK selects the top risks that we recognize as potentially having a particularly significant impact on our business, performance, and financial position. These risks are selected following deliberation by the Board of Directors and Executive Committee and

in consideration of their degree of impact and probability. Moreover, we reflect the actions we take against the selected risks in our management plans, and take additional action as necessary following regular checks of the control status.

Top risk	Main measures
Insufficient customer-oriented business operations	<ul style="list-style-type: none"> Quality controls for customer-oriented business operations Appropriate disclosure of information, improved second-line* functions, deeper discussions in Special Committees
Cyber attacks	<ul style="list-style-type: none"> Sound execution of cybersecurity action plans
Pandemics, major disasters	<ul style="list-style-type: none"> Take measures to prevent the spread of infection, and ensure the continuity of important operations
Economic and social changes, Advancements in technology, etc.	<ul style="list-style-type: none"> Promote digitalization with safety and security as the top priorities Secure new revenue sources, drive new business, and improve the income and expenditure of existing services
Money laundering/Terrorist financing	<ul style="list-style-type: none"> Improve systems and enhance measures against money laundering/terrorist financing
System disruptions	<ul style="list-style-type: none"> Improve system monitoring, etc. Formulate contingency plans, and conduct emergency response training
Climate change risks, etc.	<ul style="list-style-type: none"> Build up ESG investments (targeted) Improve disclosures based on qualitative and quantitative analysis of transition risks and physical risks
Market/Credit/Liquidity risk, etc.	<ul style="list-style-type: none"> Improve portfolio stress tolerance Improve internal control systems from the standpoint of being an internationally active bank Improve specialized human resources in investing and risk management

* Management divisions such as the Risk Management and Compliance Division, etc.

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 reports on their progress once per month, and also reports these matters to the Internal Control Committee, the Board of Directors, and the Audit Committee. 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, he/she must report the matter to a superior, to our Compliance Line, or to whistleblower systems that have been put in place both within and outside of the Bank. In this way, the Bank strives to prevent a compliance violation from occurring or any escalation thereof, and to quickly resolve any problems.

more info
Compliance System

Home > Corporate Social Responsibility (ESG) > ESG Activities > 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 works to ensure compliance by addressing important matters, striving to promote compliance, including regularly reviewing implementation status, and conducting training sessions for employees.

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

- #### Outline of Main Measures
- Prevention of fraud
 - Countering money laundering and financing of terrorism
 - Response to Antisocial Forces
 - Customer-oriented business operations and customer protection
 - Creating employee-friendly working environments

Basic Policy for Combating against Antisocial Forces

The Bank as an organization combats against Antisocial Forces that threaten the sound social order and corporate activities. The Bank is never involved in any illegal or antisocial behavior associated with antisocial forces.

The Bank blocks and excludes relationships with antisocial forces by cooperating with relevant external organizations such as the police, etc.

The following details each action.

Basic Policy for Combating against Antisocial Forces

- 1 Response as an organization**
With regard to antisocial forces, the Bank's attitude toward antisocial forces is clearly stated in the JAPAN POST GROUP's charter of corporate conduct and internal rules, etc., and the Bank as a whole from top management to employee level responds to antisocial forces. The Bank protects the safety of management and staff members who respond to antisocial forces.
- 2 Alliance with the external organizations**
The Bank always maintains close relationships with the relevant external organizations such as the police, the center for removal of criminal organizations and lawyers.
- 3 Cutting off all the relationship including normal banking transactions**
The Bank never establishes relationships with antisocial forces including normal banking transactions. Their undue claims are rejected.
- 4 Civil and criminal legal action is taken**
If confronted with undue claims by antisocial forces, legal action is taken from both civil and criminal perspectives.
- 5 Prohibition of backroom deal and the provision of funds**
The Bank's actions never take the form of backroom deals. The Bank never provides funds to Antisocial Forces.

Privacy Protection Measures

JAPAN POST BANK has established the following privacy policy and conducts business operations based on this policy. We recognize that protecting personal data, includ-

ing specific personal information and Individual Number (hereinafter 'personal data'), is vital to offering services that can achieve a high degree of customer satisfaction.

[more info](#)
[Privacy Policy](#)

[Home](#) > [Privacy Policy](#)

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.

[more info](#)
[Conflicts of Interest Management Policy](#)

[Home](#) > [Corporate Social Responsibility \(ESG\)](#) > [ESG Activities](#) > [Governance](#) > [Compliance](#) > [Conflicts of Interest Management Policy](#)

Internal Audit

Internal Audit 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.

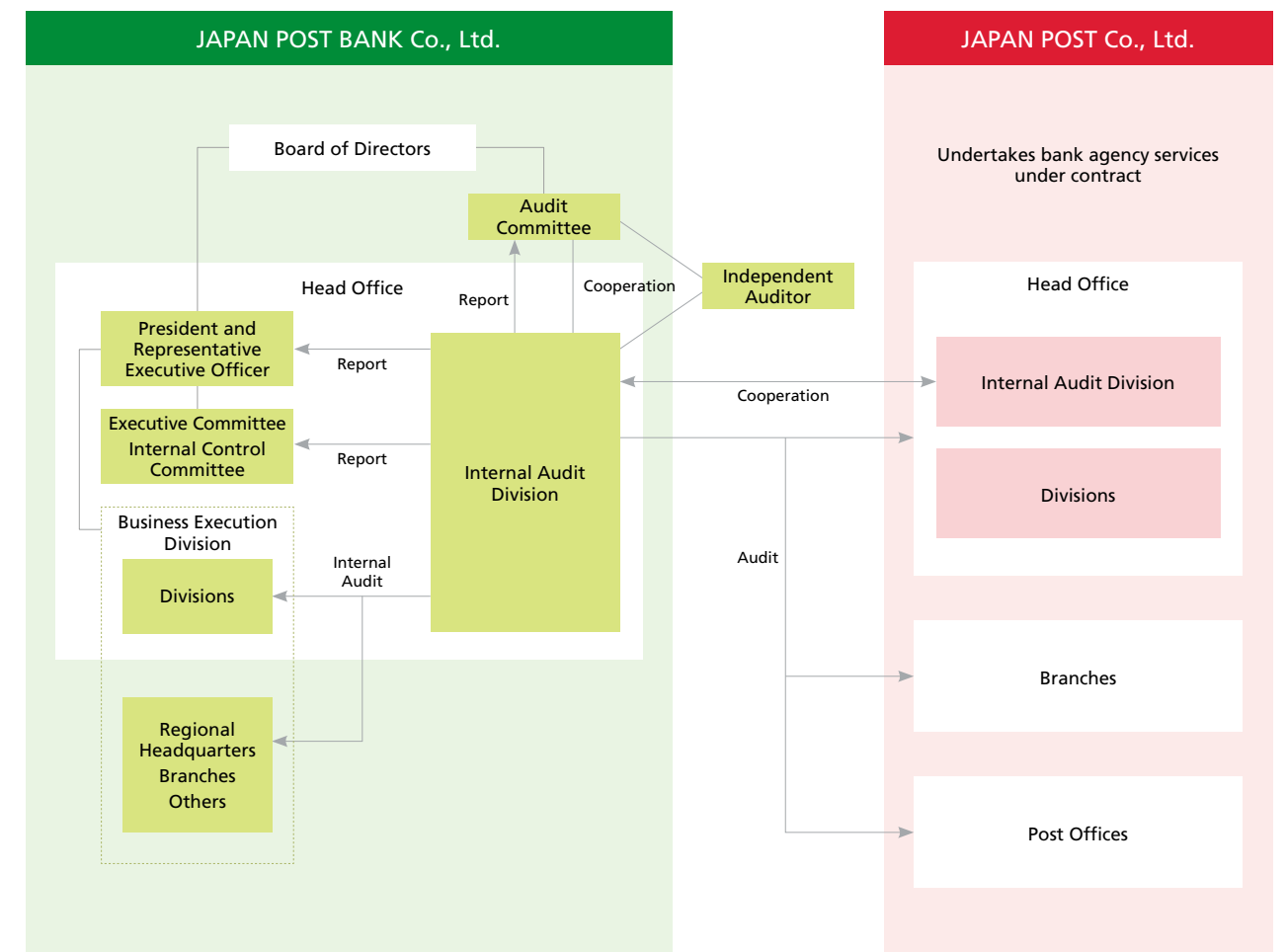
In accordance with, for example, the International Standards for the Professional Practice of Internal Audit of the Institute of Internal Auditors (IIA), the Internal Audit Division conducts audits of the head office divisions, Regional Headquarters, Branches, Administration Service Centers, Operation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



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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, 2021 and 2020:

	Billions of yen	
	For the fiscal year ended March 31,	
	2021	2020
Interest income	¥1,198.2	¥1,318.0
Interest expenses	241.1	346.6
Net interest income	957.1	971.3
Fees and commissions income	157.3	160.5
Fees and commissions expenses	29.4	31.6
Net fees and commissions	127.9	128.8
Other operating income	293.6	212.8
Other operating expenses	64.4	4.3
Net other operating income (loss)	229.2	208.4
General and administrative expenses	1,008.0	1,018.3
Other income	296.8	107.8
Other expenses	210.3	19.6
Income before income taxes	392.7	378.6
Income taxes—current	124.1	101.2
Income taxes—deferred	(11.2)	4.3
Net income	¥ 279.8	¥ 273.0

Fiscal Year Ended March 31, 2021 Compared to Fiscal Year Ended March 31, 2020

Net Interest Income

Interest Income

Our total interest income decreased by ¥119.7 billion, or 9.0%, from ¥1,318.0 billion in the fiscal year ended March 31, 2020 to ¥1,198.2 billion in the fiscal year ended March 31, 2021, mainly due to a decrease in interest and dividends on securities. Our interest and dividends on securities decreased by ¥118.0 billion, or 9.2%, to ¥1,161.8 billion in the fiscal year ended March 31, 2021. This decrease mainly reflected a decrease in interest on Japanese government bonds and foreign securities. Our interest on loans decreased by ¥0.9 billion, or 8.3%, to ¥10.1 billion in the fiscal year ended March 31, 2021, due to a decrease in interest rate.

Interest Expenses

Our total interest expenses decreased by ¥105.4 billion, or 30.4%, from ¥346.6 billion in the fiscal year ended March 31, 2020 to ¥241.1 billion in the fiscal year ended March 31, 2021, mainly due to a decrease in foreign currency funding costs. Interest expenses on deposits decreased by ¥16.7 billion, or 30.4%, to ¥38.3 billion in the fiscal year ended March 31, 2021, due to a decrease in interest rates.

Net Interest Income

Our net interest income calculated by deducting interest expenses from interest income, decreased by ¥14.2 billion, or 1.4%, from ¥971.3 billion in the fiscal year ended March 31, 2020 to ¥957.1 billion in the fiscal year ended March 31, 2021. Our interest rate spread was 0.45% for the fiscal year ended March 31, 2021, a decrease from 0.47% for the fiscal year ended March 31, 2020.

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, 2021 and 2020. 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,					
	2021		2020			
	Average asset balance ⁽⁴⁾	Interest	Average earnings yield	Average asset balance ⁽⁴⁾	Interest	Average earnings yield
Interest-earning assets:⁽¹⁾						
Loans:						
Domestic	¥ 5,888.5	¥ 10.0	0.17%	¥ 4,947.2	¥ 11.0	0.22%
Overseas	23.7	0.1	0.52	10.8	0.0	0.52
Total ⁽²⁾	5,912.2	10.1	0.17	4,958.0	11.1	0.22
Securities:						
Domestic	70,330.0	410.9	0.58	71,842.6	492.5	0.68
Overseas	66,938.0	750.9	1.12	63,239.8	787.4	1.24
Total ⁽²⁾	137,268.1	1,161.8	0.84	135,082.5	1,279.9	0.94
Due from banks, etc.: ⁽³⁾						
Domestic	56,799.5	29.2	0.05	52,928.3	28.8	0.05
Overseas	—	—	—	1.2	0.0	2.35
Total ⁽²⁾	56,799.5	29.2	0.05	52,929.6	28.9	0.05
Total interest-earning assets:						
Domestic	204,928.2	518.3	0.25	198,026.3	629.0	0.31
Overseas	67,100.5	751.4	1.11	63,366.9	789.4	1.24
Total ⁽²⁾	¥210,430.4	¥1,198.2	0.56%	¥203,590.0	¥1,318.0	0.64%

Notes: (1) Income earned on money held in trust is included in "other income," and the average balance of money held in trust (¥4,102.1 billion for the fiscal year ended March 31, 2021 and ¥3,129.5 billion for the fiscal year ended March 31, 2020) 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, 2021 and 2020:

	Billions of yen, except for percentages					
	For the fiscal year ended March 31,					
	2021			2020		
	Average liability balance ⁽²⁾	Interest	Average interest rate	Average liability balance ⁽²⁾	Interest	Average interest rate
Interest-bearing liabilities:⁽¹⁾						
Deposits:						
Domestic	¥188,043.5	¥ 38.3	0.02%	¥183,018.2	¥ 55.0	0.03%
Overseas	—	—	—	—	—	—
Total ⁽²⁾	188,043.5	38.3	0.02	183,018.2	55.0	0.03
Payables under securities lending transactions:						
Domestic	155.8	0.1	0.09	229.1	0.2	0.10
Overseas	1,482.3	6.7	0.45	2,240.7	49.3	2.20
Total ⁽²⁾	1,638.2	6.9	0.42	2,469.9	49.6	2.00
Total interest-bearing liabilities:						
Domestic	197,783.1	62.6	0.03	190,695.7	79.3	0.04
Overseas	67,508.0	245.2	0.36	63,324.7	362.3	0.57
Total ⁽²⁾	¥203,692.8	¥236.3	0.11%	¥196,217.3	¥341.1	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 (¥4,102.1 billion for the fiscal year ended March 31, 2021 and ¥3,129.5 billion for the fiscal year ended March 31, 2020) and the interest expenses (¥4.7 billion for the fiscal year ended March 31, 2021 and ¥5.4 billion for the fiscal year ended March 31, 2020) are excluded from interest-bearing liabilities.

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

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

(4) "Domestic" represents yen-denominated transactions while "overseas" represents foreign currency-denominated transactions (except that yen-denominated transactions with non-residents of Japan are included in "overseas").

Our average balance of interest-earning assets increased by ¥6,840.3 billion, or 3.3%, from ¥203,590.0 billion in the fiscal year ended March 31, 2020 to ¥210,430.4 billion in the fiscal year ended March 31, 2021. Our average earnings yield on interest-earning assets decreased from 0.64% in the fiscal year ended March 31, 2020 to 0.56% in the fiscal year ended March 31, 2021. As a result, our total interest income on interest-earning assets decreased from ¥1,318.0 billion in the fiscal year ended March 31, 2020 to ¥1,198.2 billion in the fiscal year ended March 31, 2021.

Our average balance of interest-bearing liabilities increased by ¥7,475.5 billion, or 3.8%, from ¥196,217.3 billion in the fiscal year ended March 31, 2020 to ¥203,692.8 billion in the fiscal year ended March 31, 2021. Our average interest rates on interest-bearing liabilities decreased from 0.17% in the fiscal year ended March 31, 2020 to 0.11% in the fiscal year ended March 31, 2021. As a result, our total interest expenses on interest-bearing liabilities decreased from ¥341.1 billion in the fiscal year ended March 31, 2020 to ¥236.3 billion in the fiscal year ended March 31, 2021.

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, 2021 versus fiscal year ended March 31, 2020 increase (decrease) due to		
	Balance-related change ⁽¹⁾	Interest-related change ⁽¹⁾	Net change
Interest income:			
Loans:			
Domestic	¥ 1.8	¥ (2.8)	¥ (0.9)
Overseas	0.0	0.0	0.0
Total ⁽²⁾	1.9	(2.8)	(0.9)
Securities:			
Domestic	(10.1)	(71.3)	(81.5)
Overseas	44.3	(80.8)	(36.5)
Total ⁽²⁾	20.4	(138.5)	(118.0)
Due from banks, etc. ⁽³⁾			
Domestic	2.0	(1.6)	0.3
Overseas	(0.0)	—	(0.0)
Total ⁽²⁾	2.0	(1.7)	0.3
Total interest income:			
Domestic	21.2	(132.0)	(110.7)
Overseas	44.7	(82.7)	(37.9)
Total ⁽²⁾	¥ 43.1	¥(162.8)	¥(119.7)

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, 2021 versus fiscal year ended March 31, 2020 increase (decrease) due to		
	Balance-related change ⁽¹⁾	Interest-related change ⁽¹⁾	Net change
Interest expenses:			
Deposits:			
Domestic	¥ 1.4	¥ (18.2)	¥ (16.7)
Overseas	—	—	—
Total ⁽²⁾	1.4	(18.2)	(16.7)
Payables under securities lending transactions:			
Domestic	(0.0)	(0.0)	(0.0)
Overseas	(12.7)	(29.8)	(42.6)
Total ⁽²⁾	(12.7)	(29.9)	(42.6)
Total interest expenses:			
Domestic	2.8	(19.6)	(16.7)
Overseas	22.5	(139.6)	(117.0)
Total ⁽²⁾	¥ 12.5	¥(117.3)	¥(104.7)

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) "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, 2021 decreased by ¥119.7 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, 2021 decreased by ¥104.7 billion compared to the previous fiscal year primarily due to a decrease in foreign currency funding costs.

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,	
	2021	2020
Yield on interest-earning assets:		
Domestic	0.25%	0.31%
Overseas	1.11	1.24
Total	0.56	0.64
Interest rate on interest-bearing liabilities:		
Domestic	0.03	0.04
Overseas	0.36	0.57
Total	0.11	0.17
Interest rate spread:		
Domestic	0.22	0.27
Overseas	0.75	0.67
Total	0.45%	0.47%

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, 2021, decreased to 0.45% from 0.47% for the previous fiscal year. This decrease was primarily the result of decreased interest rate spread on domestic assets, reflecting yen interest rates remained at a low level.

Net Fees and Commissions

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

	Billions of yen	
	For the fiscal year ended March 31,	
	2021	2020
Fees and commissions income:		
Fees and commissions on domestic and foreign exchanges	¥ 86.7	¥ 82.3
Other	70.6	78.2
Total	157.3	160.5
Fees and commissions expenses:		
Fees and commissions on domestic and foreign exchanges	5.0	4.7
Other	24.3	26.8
Total	29.4	31.6
Net fees and commissions	¥127.9	¥128.8

Net fees and commissions decreased by ¥0.9 billion, or 0.7%, from ¥128.8 billion in the fiscal year ended March 31, 2020 to ¥127.9 billion in the fiscal year ended March 31, 2021. Fees and commissions income decreased by ¥3.1 billion, or 1.9%, from ¥160.5 billion in the fiscal year ended March 31, 2020 to ¥157.3 billion in the fiscal year ended March 31, 2021. Fees and commissions expenses decreased by ¥2.2 billion, or 7.0%, from ¥31.6 billion in the fiscal year ended March 31, 2020 to ¥29.4 billion in the fiscal year ended March 31, 2021. The decrease in net fees and commissions was primarily due to a decrease in fees relating to investment trusts.

Net Other Operating Income (Loss)

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

	Billions of yen	
	For the fiscal year ended March 31,	
	2021	2020
Other operating income:		
Gains on foreign exchanges	¥254.6	¥202.1
Gains on sales of bonds	38.5	10.7
Other	0.5	—
Total	293.6	212.8
Other operating expenses:		
Losses on sales of bonds	64.4	2.6
Other	—	1.7
Total	64.4	4.3
Net other operating income (loss)	¥229.2	¥208.4

Net other operating income was ¥229.2 billion in the fiscal year ended March 31, 2021 as compared to net other operating income of ¥208.4 billion in the fiscal year ended March 31, 2020. This was mainly 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,	
	2021	2020
General and administrative expenses:		
Personnel expenses:		
Salaries and allowances	¥ 96.0	¥ 98.6
Others	21.2	21.9
Total	117.2	120.6
Non-personnel expenses:		
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	366.3	369.7
Contributions paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network ⁽¹⁾	237.4	237.8
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	57.4	59.4
Rent for land, buildings and others	11.5	11.9
Expenses on consigned businesses	67.0	64.0
Depreciation and amortization	34.9	36.1
Communication and transportation expenses	15.2	16.8
Maintenance expenses	13.3	12.4
IT expenses	12.9	16.7
Others	17.9	18.9
Total	834.2	844.3
Taxes and dues (consumption tax and stamp tax, etc.)	56.5	53.3
Total	¥1,008.0	¥1,018.3

Note: (1) We make payments of contributions to the Organization for Postal Savings, Postal Life Insurance and Post Office Network in accordance with Article 18-3 of the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network.

Our general and administrative expenses decreased 1.0% from ¥1,018.3 billion in the fiscal year ended March 31, 2020 to ¥1,008.0 billion in the fiscal year ended March 31, 2021. This decrease was mainly due to a decrease in non-personnel expenses.

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,	
	2021	2020
Other income:		
Gains on sales of stocks and other securities	¥ 8.6	¥ 23.1
Gains on money held in trust	277.0	75.2
Other	11.1	9.4
Total	296.8	107.8
Other expenses:		
Losses on sales of stocks and other securities	197.1	11.2
Losses on devaluation of stocks and other securities	—	0.2
Losses on money held in trust	4.3	2.4
Other	8.8	5.6
Total	210.3	19.6
Net other income (expenses)	¥ 86.5	¥ 88.1

Other income increased by ¥189.0 billion, or 175.3%, from ¥107.8 billion in the fiscal year ended March 31, 2020 to ¥296.8 billion in the fiscal year ended March 31, 2021. This increase was primarily due to an increase in gains on money held in trust. Other expenses increased by ¥190.6 billion, or 970.9%, from ¥19.6 billion in the fiscal year ended March 31, 2020 to ¥210.3 billion in the fiscal year ended March 31, 2021. This increase was primarily due to an increase in losses on sales of stocks and other securities. As a result, net other income decreased by ¥1.5 billion, or 1.8%, from ¥88.1 billion in the fiscal year ended March 31, 2020 to ¥86.5 billion in the fiscal year ended March 31, 2021.

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,	
	2021	2020
Income taxes:		
Current	¥124.1	¥101.2
Deferred	(11.2)	4.3
Total income taxes	¥112.9	¥105.5
Effective income tax rate	28.7%	27.8%

Current income taxes increased by ¥22.8 billion, and deferred income taxes decreased by ¥15.5 billion, for the fiscal year ended March 31, 2021, compared to the previous fiscal year. As a result, total income taxes for the fiscal year ended March 31, 2021 increased by ¥7.3 billion compared to the previous fiscal year primarily due to an increase in income before income taxes.

The effective income tax rate was 28.7% for the fiscal year ended March 31, 2021, 1.8 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 ¥279.8 billion in the fiscal year ended March 31, 2021 as compared to net income of ¥273.0 billion in the fiscal year ended March 31, 2020.

FINANCIAL CONDITION

Total Assets

As of March 31, 2021, we had total assets of ¥223,847.5 billion, an increase of ¥12,942.3 billion, or 6.1%, as compared to total assets of ¥210,905.1 billion as of March 31, 2020.

Securities Portfolio

Our securities portfolio totaled ¥138,183.2 billion as of March 31, 2021, an increase of ¥2,984.8 billion, or 2.2%, from ¥135,198.4 billion as of March 31, 2020. This increase was mainly due to an increase in other securities of overseas, which mainly consisted of foreign securities.

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,	
	2021	2020
Domestic:		
Japanese government bonds	¥ 50,493.4	¥ 53,636.1
Japanese local government bonds	5,493.8	5,986.3
Japanese corporate bonds	11,014.9	9,915.2
Japanese stocks	13.7	3.2
Other securities	618.7	1,687.8
Subtotal	67,634.7	71,228.7
Overseas:		
Other securities:	70,548.5	63,969.6
Foreign bonds	23,505.1	23,706.8
Investment trusts	47,040.7	40,261.2
Subtotal	70,548.5	63,969.6
Total	¥138,183.2	¥135,198.4

Note: (1) "Domestic" represents yen-denominated transactions while "overseas" represents foreign currency-denominated transactions (except that yen-denominated transactions with non-residents of Japan are included in "overseas").

Our investment securities are classified into the following primary categories:

- Held-to-maturity securities, which are expected to be held to maturity, are reported at amortized cost (using the straight-line method) based on the moving average method. These securities are not reported at fair value.
- Available-for-sale securities are, as a general principle, reported at fair value, determined based upon the average market price of the final month of the fiscal year, 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, 2021				
	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	¥20,576.3	¥20,807.0	¥230.6	¥256.2	¥25.5
Japanese local government bonds	1,891.2	1,892.8	1.6	3.1	1.5
Japanese corporate bonds	2,710.4	2,716.3	5.8	11.6	5.7
Others:	—	—	—	—	—
Foreign bonds	—	—	—	—	—
Total	¥25,178.0	¥25,416.2	¥238.1	¥271.0	¥32.9

	Billions of yen				
	As of March 31, 2020				
	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	¥21,038.1	¥21,513.6	¥475.5	¥475.7	¥0.2
Japanese local government bonds	1,146.7	1,148.4	1.6	2.9	1.3
Japanese corporate bonds	1,985.7	1,999.4	13.6	17.4	3.7
Others:	—	—	—	—	—
Foreign bonds	—	—	—	—	—
Total	¥24,170.7	¥24,661.5	¥490.8	¥496.1	¥5.2

The carrying amount of our held-to-maturity securities as of March 31, 2021 was ¥25,178.0 billion, an increase of ¥1,007.3 billion, or 4.1%, from ¥24,170.7 billion as of March 31, 2020. This increase was primarily due to an increase in the amount of Japanese local government bonds and Japanese corporate bonds.

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, 2021				
	Carrying amount	Acquisition cost	Difference	Amount for which carrying amount exceeds acquisition cost	Amount for which carrying amount does not exceed acquisition cost
Japanese stocks	—	—	—	—	—
Japanese government bonds	¥ 29,917.0	¥ 29,374.2	¥ 542.7	¥ 592.8	¥ 50.0
Japanese local government bonds	3,602.5	3,585.3	17.1	17.4	0.2
Japanese corporate bonds	8,304.5	8,266.6	37.8	40.9	3.0
Others:	69,316.7	67,508.1	1,808.6	2,014.5	205.8
Foreign bonds	23,505.1	22,473.7	1,031.3	1,110.5	79.1
Investment trusts	45,384.4	44,608.2	776.2	902.6	126.4
Total	¥111,140.9	¥108,734.4	¥2,406.4	¥2,665.7	¥259.3

Note: (1) Of the difference shown above, ¥173.5 billion is included in the statement of income as gains because of the application of fair value hedge accounting.

Billions of yen					
As of March 31, 2020					
Carrying amount	Acquisition cost	Difference	Amount for which carrying amount exceeds acquisition cost	Amount for which carrying amount does not exceed acquisition cost	
Japanese stocks	—	—	—	—	—
Japanese government bonds	¥ 32,597.9	¥ 31,803.7	¥ 794.2	¥ 832.0	¥ 37.8
Japanese local government bonds	4,839.5	4,813.8	25.6	26.6	0.9
Japanese corporate bonds	7,929.4	7,892.2	37.2	46.1	8.8
Others:	64,296.3	65,905.3	(1,609.0)	1,248.9	2,858.0
Foreign bonds	23,706.8	23,277.4	429.4	1,018.1	588.6
Investment trusts	40,208.6	42,249.0	(2,040.4)	228.7	2,269.1
Total	¥109,663.3	¥110,415.1	¥ (751.8)	¥2,153.7	¥2,905.6

Note: (1) Of the difference shown above, ¥308.3 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,		
	2021	2020
Japanese stocks	¥ 10.5	¥ 0.0
Investment trusts	2,206.7	1,692.3
Investments in partnerships	34.7	30.7
Total	¥2,252.0	¥1,723.1

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, 2021, the carrying amount of our domestic bonds held as available-for-sale securities was ¥41,824.1 billion, a decrease of ¥3,542.8 billion, or 7.8%, from ¥45,366.9 billion as of March 31, 2020. This decrease was primarily due to a decrease in Japanese government bonds. As of March 31, 2021, the carrying amount of other securities was ¥69,316.7 billion, an increase of ¥5,020.4 billion, or 7.8%, from ¥64,296.3 billion as of March 31, 2020. This increase was due to an increase in our holding of investment trust which are mainly invested in foreign bonds as part of our efforts to promote diversified and sophisticated investments. As of March 31, 2021, the total difference of carrying amount and acquisition cost for available-for-sale securities was ¥2,406.4 billion, an increase of ¥3,158.3 billion from a difference of ¥(751.8) billion as of March 31, 2020. This increase was due to the fact that foreign credit spreads, which had widened sharply at the end of the previous fiscal year, tightened as a result of large-scale economic support measures by governments and central banks, resulting in a recovery in fair value, mainly for investment trusts.

Impairment Losses on Securities

For the fiscal year ended March 31, 2021, no impairment losses were recognized. For the fiscal year ended March 31, 2020, impairment losses amounted to ¥0.0 billion.

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,				
	2021		2020	
	Outstanding assets	Percentage	Outstanding assets	Percentage
Japanese yen	¥ 3,922.7	16.6%	¥ 5,086.4	21.4%
U.S. dollar	15,474.8	65.8	15,461.9	65.2
Euro	3,211.6	13.6	2,661.7	11.2
Others	895.9	3.8	496.7	2.0
Total	¥23,505.1	100.0%	¥23,706.8	100.0%

As of March 31, 2021, our holdings of U.S. dollar-denominated bonds totaled ¥15,474.8 billion, an increase of ¥12.8 billion, or 0.0%, from ¥15,461.9 billion as of March 31, 2020. As of March 31, 2021, our holdings of Euro-denominated bonds totaled ¥3,211.6 billion, an increase of ¥549.8 billion, or 20.6%, from ¥2,661.7 billion as of March 31, 2020. As of March 31, 2021, our holdings of foreign bonds totaled ¥23,505.1 billion, a decrease of ¥201.7 billion, or 0.8%, from ¥23,706.8 billion, as of March 31, 2020. This decrease was primarily due to a decrease in Japanese yen-denominated bonds.

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, 2021							
	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	¥ 8,632.5	¥20,089.4	¥1,318.5	¥4,374.4	¥ 4,576.2	¥10,502.1	¥49,493.3
Japanese local government bonds	737.3	1,554.7	1,416.4	775.8	962.3	—	5,446.8
Japanese corporate bonds	2,879.0	2,408.9	1,927.3	1,444.9	1,039.1	1,255.3	10,954.8
Other securities	2,798.0	5,218.3	3,979.8	3,208.2	3,471.4	6,536.8	25,212.6
Total	¥15,047.0	¥29,271.4	¥8,642.1	¥9,803.5	¥10,049.2	¥18,294.2	¥91,107.6

Billions of yen							
As of March 31, 2020							
	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	¥ 7,601.3	¥22,327.4	¥ 6,667.2	¥3,327.3	¥ 4,390.6	¥ 8,076.7	¥52,390.7
Japanese local government bonds	1,189.4	1,479.1	1,525.7	691.9	1,035.4	—	5,921.7
Japanese corporate bonds	2,099.1	2,036.3	2,173.5	975.7	1,318.9	1,251.1	9,854.9
Other securities	3,700.5	4,919.3	5,188.7	1,704.9	3,268.5	6,040.0	24,822.2
Total	¥14,590.4	¥30,762.3	¥15,555.2	¥6,699.9	¥10,013.6	¥15,367.9	¥92,989.6

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. In addition, in May 2021, we began handling account overdraft lending services and housing loan business for individuals (Flat 35 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, 2021, our total outstanding loan amount was ¥4,691.7 billion.

As of March 31, 2021, 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, 2020, 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, 2021, we had ¥4,666.1 billion in domestic loans and ¥25.5 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,			
	2021		2020	
	Amount	Percentage	Amount	Percentage
Domestic (excluding Japan Offshore Market accounts):				
Agriculture, forestry, fisheries, and mining	—	—	—	—
Manufacturing	¥ 81.6	1.7%	¥ 43.5	0.8%
Utilities, information/communications, and transportation	137.7	2.9	108.0	2.1
Wholesale and retail	34.2	0.7	31.1	0.6
Finance and insurance ⁽¹⁾	739.5	15.8	773.6	15.6
Construction and real estate	63.1	1.3	12.9	0.2
Services and goods rental/leasing	84.2	1.8	48.4	0.9
Central and local governments	3,428.2	73.4	3,782.4	76.5
Others	97.3	2.0	142.1	2.8
Subtotal	4,666.1	100.0	4,942.4	100.0
Overseas and Japan Offshore Market accounts:				
Governments	—	—	—	—
Others	25.5	100.0	19.3	100.0
Subtotal	25.5	100.0	19.3	100.0
Total	¥4,691.7		¥4,961.7	

Notes: (1) Of "Finance and insurance," loans to the Organization for Postal Savings, Postal Life Insurance and Post Office Network were ¥340.5 billion and ¥439.7 billion as of March 31, 2021 and 2020, respectively.

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

As of March 31, 2021, our loans were ¥4,691.7 billion, or 2.0% of total assets, representing a decrease of ¥270.0 billion, or 5.4%, from March 31, 2020. 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, 2021						
	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	¥2,464.3	¥695.6	¥549.3	¥254.4	¥386.6	¥334.4	¥4,684.9

Money Held in Trust

We did not hold money held in trust for the purpose of held-to-maturity as of March 31, 2021 and 2020.

Money held in trust (excluding held-to-maturity purpose) as of March 31, 2021 and 2020 was as follows:

	Billions of yen, except for percentages			
	As of March 31,			
	2021		2020	
	Outstanding assets	Percentage	Outstanding assets	Percentage
Domestic stocks	¥2,261.7	44.2%	¥1,859.6	43.0%
Domestic bonds	1,545.1	30.2	1,419.0	32.8
Others	1,299.1	25.4	1,038.8	24.0
Total	¥5,106.1	100.0%	¥4,317.5	100.0%

Assets in respect of money held in trust are primarily held in Japanese yen. As of March 31, 2021, 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, 2021 was ¥189.5 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, 2021, our deposits of ¥189.5 trillion exceeded our securities of ¥138.1 trillion by ¥51.4 trillion, and our security-deposit ratio was 72.8%. 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,			
	2021		2020	
	Amount	Percentage	Amount	Percentage
Liquid deposits:	¥101,309.0	53.4%	¥ 87,567.5	47.8%
Transfer deposits	9,150.1	4.8	7,712.3	4.2
Ordinary deposits, etc. ⁽¹⁾	91,546.3	48.2	79,346.2	43.3
Savings deposits	612.5	0.3	508.9	0.2
Fixed-term deposits:	88,145.6	46.4	95,298.9	52.0
Time deposits	4,709.2	2.4	5,225.6	2.8
TEIGAKU deposits	83,436.3	44.0	90,073.2	49.2
Other deposits	138.8	0.0	138.2	0.0
Subtotal	189,593.4	100.0	183,004.7	100.0
Negotiable certificates of deposit	—	—	—	—
Total	¥189,593.4	100.0%	¥183,004.7	100.0%

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, 2021 was ¥189,593.4 billion, an increase of ¥6,588.7 billion from ¥183,004.7 billion as of March 31, 2020.

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

	Billions of yen						Total
	As of March 31, 2021						
	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	
Fixed interest rates	¥1,443.0	¥953.5	¥1,813.5	¥168.0	¥165.9	¥165.1	¥4,709.2
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, 2021					
	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	¥11,978.4	¥10,752.4	¥11,523.2	¥21,295.4	¥27,886.7	¥83,436.3

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,	
	2021	2020
Due from banks	¥60,464.1	¥51,330.5

Net Assets

The table below presents information relating to our net assets as of March 31, 2021 and 2020:

	Billions of yen, except for percentages	
	As of March 31,	
	2021	2020
Capital stock	¥ 3,500.0	¥ 3,500.0
Capital surplus	4,296.2	4,296.2
Retained earnings	2,749.4	2,563.3
Treasury stock	(1,300.8)	(1,300.8)
Total shareholders' equity	9,244.8	9,058.7
Net unrealized gains (losses) on available-for-sale securities	2,487.7	256.8
Net deferred gains (losses) on hedges	(370.4)	(327.9)
Total valuation and translation adjustments	2,117.2	(71.0)
Net assets	¥11,362.1	¥ 8,987.6
Net assets as a percentage of total assets	5.0%	4.2%

Net assets as of March 31, 2021 was ¥11,362.1 billion, an increase of ¥2,374.4 billion, or 26.4%, compared to March 31, 2020. The increase was primarily due to an increase 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, 2021 was 15.51%, a decrease of 0.04 percentage points from March 31, 2020.

Total risk-based capital, the numerator of the ratio, was ¥9,024.3 billion, an increase of ¥91.8 billion from ¥8,932.5 billion as of March 31, 2020.

Risk-weighted assets, which correspond to the denominator of the ratio, amounted to ¥58,157.1 billion, representing an increase of ¥749.8 billion from ¥57,407.2 billion as of March 31, 2020.

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

	Millions of yen		
	As of March 31,		Y-o-Y change
	2021	2020	
Core Capital: instruments and reserves (A)	¥ 9,057,656	¥ 8,965,233	¥ 92,422
Core Capital: regulatory adjustments (B)	33,294	32,685	608
Total risk-based capital (A)-(B)=(C)	9,024,361	8,932,547	91,813
Total amount of risk-weighted assets (D)	58,157,118	57,407,276	749,842
Credit risk-weighted assets	55,604,917	54,775,080	829,837
Market risk equivalent / 8%	—	—	—
Operational risk equivalent / 8%	2,552,200	2,632,196	(79,995)
Capital adequacy ratio (C)/(D) (%)	15.51	15.55	(0.04)

Dividends (Consolidated)

Our total dividend payment for the fiscal year ended March 31, 2021 was ¥187.4 billion. The dividend per share was ¥50.00 and the dividend payout ratio was 66.9%.

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 68 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, 2021, our capital adequacy ratio was 15.53% (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

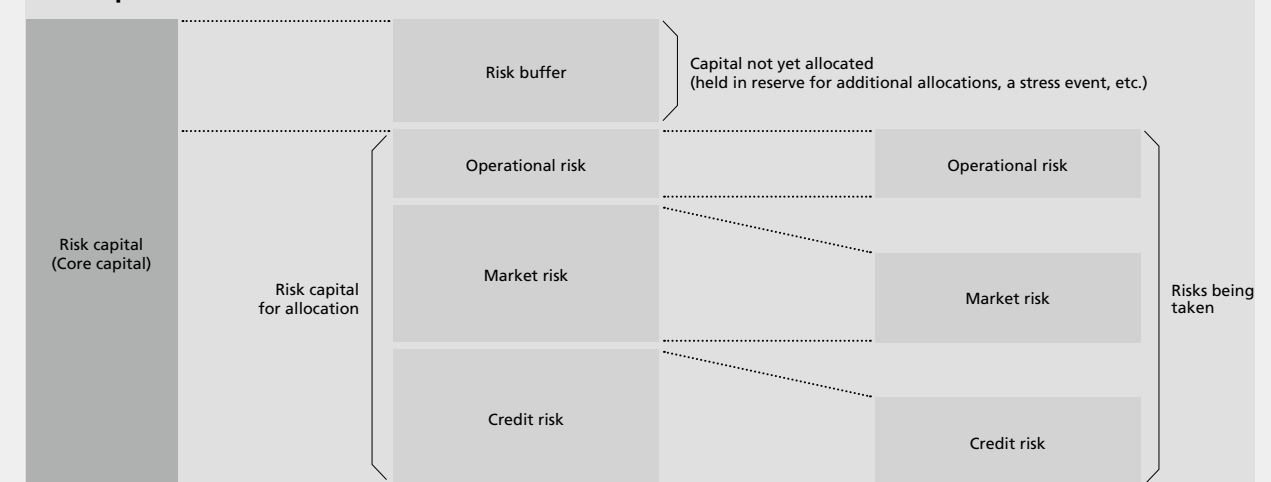
We broadly classify and define risks into five categories: market, market liquidity, funding liquidity, credit, and operational risks. We manage these risks using both quantitative and qualitative approaches.

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.

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.

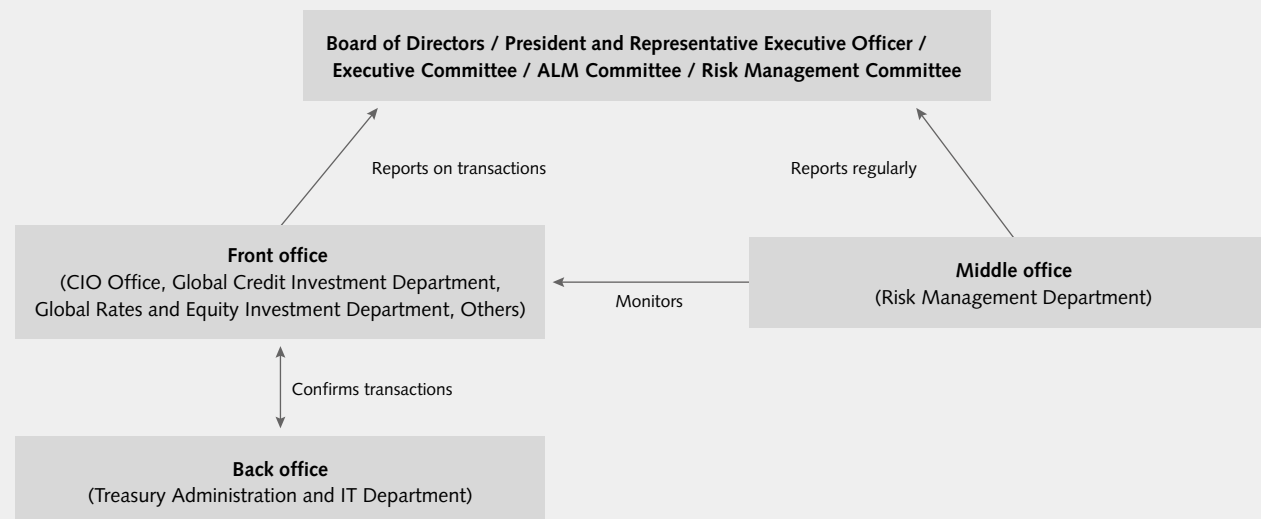
Moreover, we fully recognize the importance of interest rate risk on our business. In addition to monitoring interest rate risk on a daily basis using a 10 basis point value (10BPV) which denotes the change of present value given 10 basis points rise in the interest rates, we have established a framework 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, 2021, our VaR was as follows:

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

VaR (From April 1, 2020 to March 31, 2021)

	Billions of yen			
	Year-end	Maximum	Minimum	Average
Fiscal year ended March 31, 2021	¥3,689.5	¥3,697.2	¥2,953.6	¥3,371.4

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

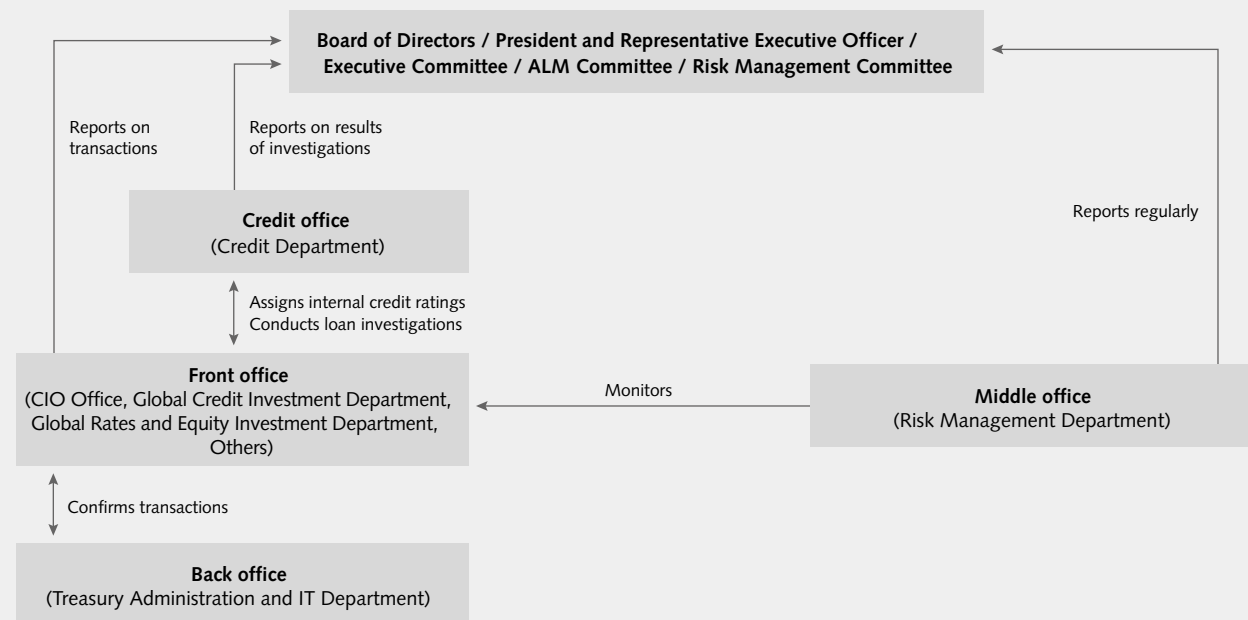
Credit Risk Management System

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 credit risk management, including credit risk measurement, credit concentration risk management, and the internal rating system. 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.	
		a
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

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.

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.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Assets:			
Cash and due from banks (Notes 19, 22 and 23)	¥ 60,769,486	¥ 51,665,251	\$ 548,906,932
Call loans (Note 22)	1,390,000	1,040,000	12,555,324
Receivables under resale agreements (Note 22)	9,721,360	9,731,897	87,809,239
Receivables under securities borrowing transactions (Note 22)	—	112,491	—
Monetary claims bought (Notes 22 and 23)	362,212	315,812	3,271,727
Trading account securities (Notes 22 and 23)	13	31	124
Money held in trust (Notes 22 and 23)	5,547,574	4,549,736	50,109,060
Securities (Notes 6, 21, 22, 23 and 24)	138,204,256	135,204,565	1,248,344,832
Loans (Notes 22 and 25)	4,691,723	4,961,733	42,378,501
Foreign exchanges (Note 3)	80,847	147,469	730,265
Other assets (Notes 4, 6, 22 and 24)	2,857,615	2,816,182	25,811,717
Tangible fixed assets (Note 5):	198,137	193,952	1,789,698
Buildings	84,182	79,008	760,385
Land	67,250	67,250	607,450
Construction in progress	93	1,427	841
Other	46,611	46,265	421,020
Intangible fixed assets:	48,286	47,318	436,153
Software	29,386	37,215	265,440
Other	18,899	10,103	170,713
Deferred tax assets (Note 27)	93	125,468	846
Reserve for possible loan losses (Note 22)	(935)	(1,031)	(8,450)
Total assets	¥223,870,673	¥210,910,882	\$2,022,135,974

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Liabilities:			
Deposits (Notes 6, 7, 22 and 24)	¥189,588,549	¥183,001,984	\$1,712,478,990
Payables under repurchase agreements (Notes 6 and 22)	14,886,481	14,855,624	134,463,743
Payables under securities lending transactions (Notes 6 and 22)	1,504,543	2,219,384	13,589,954
Borrowed money (Notes 6, 8 and 22)	3,917,500	10,100	35,385,240
Foreign exchanges (Note 3)	514	511	4,651
Other liabilities (Notes 8, 9, 22 and 24)	1,536,281	1,597,067	13,876,630
Reserve for bonuses	7,582	7,478	68,493
Liability for retirement benefits (Note 26)	133,542	134,232	1,206,241
Reserve for employee stock ownership plan trust	535	605	4,838
Reserve for management board benefit trust	303	311	2,744
Reserve for reimbursement of deposits	73,830	80,324	666,877
Deferred tax liabilities (Note 27)	826,179	—	7,462,558
Total liabilities	212,475,846	201,907,626	1,919,210,966
Contingent liabilities (Note 10)			
Net assets (Note 18):			
Capital stock (Note 11)	3,500,000	3,500,000	31,614,126
Capital surplus	4,296,514	4,296,285	38,808,732
Retained earnings	2,750,234	2,563,840	24,841,790
Treasury stock	(1,300,844)	(1,300,881)	(11,750,019)
Total shareholders' equity	9,245,904	9,059,245	83,514,630
Net unrealized gains (losses) on available-for-sale securities (Note 23)	2,488,982	256,874	22,482,002
Net deferred gains (losses) on hedges	(370,486)	(327,940)	(3,346,462)
Accumulated adjustments for retirement benefits (Note 26)	5,687	5,131	51,375
Total accumulated other comprehensive income	2,124,183	(65,935)	19,186,915
Non-controlling interests	24,739	9,945	223,462
Total net assets	11,394,827	9,003,256	102,925,008
Total liabilities and net assets	¥223,870,673	¥210,910,882	\$2,022,135,974

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

For the fiscal years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Income:			
Interest income:	¥1,198,391	¥1,317,832	\$10,824,601
Interest on loans	10,186	11,113	92,011
Interest and dividends on securities	1,162,011	1,279,804	10,495,991
Interest on call loans	191	62	1,727
Interest on receivables under resale agreements	(3,675)	(4,663)	(33,201)
Interest on receivables under securities borrowing transactions	331	674	2,998
Interest on deposits with banks	28,031	27,824	253,196
Other interest income	1,315	3,016	11,878
Fees and commissions	157,375	160,564	1,421,515
Other operating income (Note 12)	293,680	212,888	2,652,696
Other income (Note 13)	297,280	108,306	2,685,217
Total income	1,946,728	1,799,592	17,584,031
Expenses:			
Interest expenses:	241,154	346,634	2,178,256
Interest on deposits	38,323	55,096	346,162
Interest on payables under repurchase agreements	13,368	78,877	120,751
Interest on payables under securities lending transactions	6,908	49,605	62,404
Interest on commercial paper	250	614	2,258
Interest on borrowings	1,000	—	9,040
Other interest expenses	181,303	162,439	1,637,639
Fees and commissions	29,433	31,673	265,857
Other operating expenses (Note 14)	64,484	4,390	582,459
General and administrative expenses (Note 15)	1,009,358	1,019,570	9,117,143
Other expenses (Note 16)	209,642	18,691	1,893,617
Total expenses	1,554,073	1,420,961	14,037,333
Income before income taxes	392,654	378,631	3,546,697
Income taxes (Note 27):			
Current	124,350	101,366	1,123,210
Deferred	(11,225)	4,314	(101,397)
Total income taxes	113,124	105,680	1,021,813
Net income	279,529	272,950	2,524,884
Net loss attributable to non-controlling interests	(600)	(485)	(5,426)
Net income attributable to owners of parent	¥ 280,130	¥ 273,435	\$ 2,530,310

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the fiscal years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net income	¥ 279,529	¥ 272,950	\$ 2,524,884
Other comprehensive income (loss) (Note 17):	2,190,854	(2,450,194)	19,789,124
Net unrealized gains (losses) on available-for-sale securities	2,232,843	(2,183,250)	20,168,399
Net deferred gains (losses) on hedges	(42,546)	(265,586)	(384,302)
Adjustments for retirement benefits	556	(1,357)	5,027
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	(0)	(0)	(0)
Comprehensive income (loss)	2,470,383	(2,177,244)	22,314,009
Total comprehensive income (loss) attributable to:			
Owners of parent	2,470,249	(2,176,658)	22,312,791
Non-controlling interests	¥ 134	¥ (585)	\$ 1,217

Per Share of Common Stock

	Yen		U.S. dollars (Note 1)
	2021	2020	2021
Basic net income (Note 30)	¥74.72	¥72.94	\$0.67

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the fiscal years ended March 31, 2021 and 2020

	Millions of yen				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
2021					
Balance at the beginning of the fiscal year	¥3,500,000	¥4,296,285	¥2,563,840	¥(1,300,881)	¥9,059,245
Changes during the fiscal year:					
Cash dividends			(93,736)		(93,736)
Net income attributable to owners of parent			280,130		280,130
Repurchase of treasury stock				(295)	(295)
Disposal of treasury stock				332	332
Changes in equity of parent due to transactions with non-controlling shareholders		228			228
Net changes in items other than shareholders' equity					
Total changes during the fiscal year	—	228	186,393	36	186,659
Balance at the end of the fiscal year	¥3,500,000	¥4,296,514	¥2,750,234	¥(1,300,844)	¥9,245,904

	Millions of yen					
	Accumulated other comprehensive income					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	Non-controlling interests	
2021						
Balance at the beginning of the fiscal year	¥ 256,874	¥(327,940)	¥5,131	¥ (65,935)	¥ 9,945	¥ 9,003,256
Changes during the fiscal year:						
Cash dividends						(93,736)
Net income attributable to owners of parent						280,130
Repurchase of treasury stock						(295)
Disposal of treasury stock						332
Changes in equity of parent due to transactions with non-controlling shareholders						228
Net changes in items other than shareholders' equity	2,232,108	(42,546)	556	2,190,118	14,793	2,204,912
Total changes during the fiscal year	2,232,108	(42,546)	556	2,190,118	14,793	2,391,571
Balance at the end of the fiscal year	¥2,488,982	¥(370,486)	¥5,687	¥2,124,183	¥24,739	¥11,394,827

	Millions of yen				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
2020					
Balance at the beginning of the fiscal year	¥3,500,000	¥4,296,286	¥2,477,878	¥(1,300,926)	¥8,973,237
Changes during the fiscal year:					
Cash dividends			(187,473)		(187,473)
Net income attributable to owners of parent			273,435		273,435
Repurchase of treasury stock				(358)	(358)
Disposal of treasury stock				404	404
Changes in equity of parent due to transactions with non-controlling shareholders		(0)			(0)
Net changes in items other than shareholders' equity					
Total changes during the fiscal year	—	(0)	85,962	45	86,007
Balance at the end of the fiscal year	¥3,500,000	¥4,296,285	¥2,563,840	¥(1,300,881)	¥9,059,245

	Millions of yen					
	Accumulated other comprehensive income					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	Non-controlling interests	
2020						
Balance at the beginning of the fiscal year	¥ 2,440,024	¥ (62,353)	¥ 6,488	¥ 2,384,159	¥4,968	¥11,362,365
Changes during the fiscal year:						
Cash dividends						(187,473)
Net income attributable to owners of parent						273,435
Repurchase of treasury stock						(358)
Disposal of treasury stock						404
Changes in equity of parent due to transactions with non-controlling shareholders						(0)
Net changes in items other than shareholders' equity	(2,183,150)	(265,586)	(1,357)	(2,450,094)	4,977	(2,445,116)
Total changes during the fiscal year	(2,183,150)	(265,586)	(1,357)	(2,450,094)	4,977	(2,359,109)
Balance at the end of the fiscal year	¥ 256,874	¥(327,940)	¥ 5,131	¥ (65,935)	¥9,945	¥ 9,003,256

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (Continued)

2021	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of the fiscal year	\$31,614,126	\$38,806,665	\$23,158,167	\$(11,750,350)	\$81,828,609
Changes during the fiscal year:					
Cash dividends			(846,688)		(846,688)
Net income attributable to owners of parent			2,530,310		2,530,310
Repurchase of treasury stock				(2,670)	(2,670)
Disposal of treasury stock				3,002	3,002
Changes in equity of parent due to transactions with non-controlling shareholders		2,067			2,067
Net changes in items other than shareholders' equity					
Total changes during the fiscal year	—	2,067	1,683,622	331	1,686,020
Balance at the end of the fiscal year	\$31,614,126	\$38,808,732	\$24,841,790	\$(11,750,019)	\$83,514,630

2021	Thousands of U.S. dollars (Note 1)					
	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	\$ 2,320,246	\$(2,962,159)	\$46,347	\$(595,565)	\$ 89,837	\$ 81,322,881
Changes during the fiscal year:						
Cash dividends						(846,688)
Net income attributable to owners of parent						2,530,310
Repurchase of treasury stock						(2,670)
Disposal of treasury stock						3,002
Changes in equity of parent due to transactions with non-controlling shareholders						2,067
Net changes in items other than shareholders' equity	20,161,755	(384,302)	5,027	19,782,480	133,625	19,916,105
Total changes during the fiscal year	20,161,755	(384,302)	5,027	19,782,480	133,625	21,602,126
Balance at the end of the fiscal year	\$22,482,002	\$(3,346,462)	\$51,375	\$19,186,915	\$223,462	\$102,925,008

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fiscal years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities:			
Income before income taxes	¥ 392,654	¥ 378,631	\$ 3,546,697
Adjustments for:			
Depreciation and amortization	35,033	36,263	316,440
Losses on impairment of fixed assets	1,006	0	9,089
Gains on negative goodwill	—	(48)	—
Losses (gains) on step acquisitions	—	21	—
Equity in losses (gains) of affiliates	(289)	(239)	(2,610)
Net change in reserve for possible loan losses	(95)	72	(864)
Net change in reserve for bonuses	104	(380)	947
Net change in liability for retirement benefits	2,034	(618)	18,378
Net change in reserve for employee stock ownership plan trust	(70)	(233)	(633)
Net change in reserve for management board benefit trust	(7)	73	(68)
Net change in reserve for reimbursement of deposits	(6,494)	(8,008)	(58,663)
Interest income	(1,198,391)	(1,317,832)	(10,824,601)
Interest expenses	241,154	346,634	2,178,256
Losses (gains) related to securities—net	214,460	(19,912)	1,937,141
Losses (gains) on money held in trust—net	(272,749)	(72,838)	(2,463,638)
Foreign exchange losses (gains)—net	(461,927)	(87,351)	(4,172,409)
Losses (gains) on sales and disposals of fixed assets—net	560	532	5,062
Net change in loans	268,257	334,007	2,423,067
Net change in deposits	6,586,564	2,004,868	59,493,849
Net change in borrowed money	3,907,400	6,200	35,294,011
Net change in call loans, etc.	(386,825)	(2,023,847)	(3,494,041)
Net change in receivables under securities borrowing transactions	112,491	(112,491)	1,016,095
Net change in call money, etc.	30,856	3,286,253	278,711
Net change in commercial paper	—	(28,029)	—
Net change in payables under securities lending transactions	(714,840)	(254,073)	(6,456,876)
Net change in foreign exchange assets	66,622	(67,072)	601,770
Net change in foreign exchange liabilities	3	(117)	33
Interest received	1,276,210	1,379,285	11,527,512
Interest paid	(429,823)	(405,217)	(3,882,425)
Other—net	(131,700)	(360,841)	(1,189,599)
Subtotal	9,532,200	3,013,687	86,100,632
Income taxes paid	(100,988)	(77,721)	(912,189)
Net cash provided by (used in) operating activities	9,431,212	2,935,966	85,188,442
Cash flows from investing activities:			
Purchases of securities	(30,203,051)	(23,045,866)	(272,812,319)
Proceeds from sales of securities	4,938,406	2,235,051	44,606,684
Proceeds from maturity of securities	25,240,978	19,843,681	227,991,861
Investment in money held in trust	(932,868)	(1,427,732)	(8,426,233)
Proceeds from disposition of money held in trust	745,711	632,179	6,735,721
Purchases of tangible fixed assets	(23,064)	(16,385)	(208,328)
Purchases of intangible fixed assets	(14,160)	(9,193)	(127,909)
Proceeds from purchases of stocks of subsidiaries resulting in change in the scope of consolidation	—	487	—
Other—net	70	419	640
Net cash provided by (used in) investing activities	(247,977)	(1,787,359)	(2,239,884)
Cash flows from financing activities:			
Repurchase of treasury stock	(295)	(358)	(2,670)
Proceeds from disposal of treasury stock	71	82	642
Proceeds from investments by non-controlling shareholders	14,980	5,590	135,317
Cash dividends paid	(93,804)	(187,553)	(847,300)
Cash dividends paid to non-controlling interests	(105)	(26)	(955)
Purchases of investments in subsidiaries not resulting in change in the scope of consolidation	—	(1)	—
Proceeds from sale of investments in subsidiaries not resulting in change in the scope of consolidation	12	0	113
Net cash provided by (used in) financing activities	(79,141)	(182,265)	(714,854)
Effect of exchange rate changes on cash and cash equivalents	142	223	1,282
Net change in cash and cash equivalents	9,104,235	966,564	82,234,986
Cash and cash equivalents at the beginning of the fiscal year	51,600,251	50,633,686	466,084,826
Cash and cash equivalents at the end of the fiscal year (Note 19)	¥ 60,704,486	¥ 51,600,251	\$ 548,319,813

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal years ended March 31, 2021 and 2020

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 ¥110.71 to US\$1.00, the approximate rate of exchange as of March 31, 2021. 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

(1) Consolidated subsidiaries: 4 companies

Name of principal companies

Japan Post Investment Corporation

JAPAN POST BANK LOAN CENTER Co., Ltd.

(2) Non-consolidated subsidiaries: 2 companies

Name of principal company

Advanced Fintech I Limited Partnership

The non-consolidated subsidiaries were excluded from the scope of consolidation since their assets, ordinary income, and our share of their net income, retained earnings and accumulated other comprehensive income did not have a material impact, and this exclusion from the scope of consolidation would not prevent a reasonable judgment of the Group's financial position and business results.

b. Application of the Equity Method

(1) Affiliates accounted for by the equity method: 2 companies

Name of principal companies

ATM Japan Business Service, Ltd.

JP Asset Management Co., Ltd.

(2) Non-consolidated subsidiaries that are not accounted for by the equity method: 2 companies

Name of principal company

Advanced Fintech I Limited Partnership

The non-consolidated subsidiaries that are not accounted for by the equity method were excluded from the scope of the equity method since our share of their net income, retained earnings and accumulated other comprehensive income did not have a material impact, and this exclusion from the equity method would not have a significant impact to the consolidated financial statements.

c. Fiscal Years of Consolidated Subsidiaries

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

December 31: 2 companies

March 31: 2 companies

(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 fair value based on the market price prevailing at the fiscal year-end, etc. (cost of securities sold is primarily calculated using 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 or 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 as a separate component of net assets.

(d) For securities that form part of trust assets in money held in trust, stocks are stated at fair value based on the average market price during the period of one month before the fiscal year-end, etc. while other securities are stated at fair value based on the market price prevailing at the fiscal year-end, etc. (cost of securities sold is primarily calculated using the moving-average method). However, 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 or losses on money held in trust classified as available-for-sale are stated as a separate component of net assets.

(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, October 8, 2020), 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, 2021 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.

(Additional information)

In August 2020, the Bank determined to change its retirement benefit rule with the effective date of October 1, 2020, and made it known that the lump-sum retirement payment plan would be revised due to the extension of the retirement age from 60 to 65. In line with the revision, the projected benefit obligation decreased and ¥2,542 million (\$22,962 thousand) of prior service cost (favorable difference) was 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” (JICPA Industry Audit Committee Report No. 24, October 8, 2020).

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 and the fair value hedge accounting method to reduce its exposure to exchange rate fluctuations on the portion of the net unrealized gains or 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) Accounts to Record Gains or Losses on Cancellation of Investment Trusts—Gains or losses on cancellation of investment trusts are recorded as “interest and dividends on securities” if the underlying investment assets are bonds and bond equivalent, and as gains or losses on sales of stocks and other securities in “other income” or “other expenses” if the underlying investment assets are other than bonds and bond equivalent. However, if the total of “interest and dividends on securities” of investment trusts is a loss, such loss is recorded as losses on redemption of bonds in “other operating expenses.”

(Additional information)

In line with the application of “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No.24, March 31, 2020), “accounting policies and procedures adopted in the absence of requirements in relevant accounting standards, etc. that specifically apply to events or transactions that are accounted for” are disclosed.

(13) 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.

(14) 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.

(15) Significant Accounting Estimates—Items using accounting estimates reported in the consolidated financial statements for the current fiscal year that may have a significant impact to the items on the consolidated financial statements for the following fiscal year are as follows:

Fair value measurement of securities

The Group's balance of securities measured at fair value is material, and it has a significant impact on the consolidated financial statements. Accordingly, the fair value of securities is considered as a significant factor in accounting estimates.

(1) Carrying amount in the consolidated financial statements for the fiscal year

Securities as of March 31, 2021 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Securities	¥138,204,256	\$1,248,344,832

(2) Information that facilitates the understanding of the details of the significant accounting estimates used for the identified items

(i) Calculation methodology and key assumptions

For bonds, the Group uses the price quoted on the securities exchange, the Reference Statistical 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. Key assumptions for the comparable price method, or the price provided by a broker, etc. are inputs used for fair value measurement which include directly or indirectly observable inputs in the markets such as yield curves, spreads estimated based on prices of similar securities, as well as inputs that are unobservable in the markets containing significant estimates.

(ii) Impact on the consolidated financial statements for the following fiscal year

Fair value of securities may fluctuate due to changes in inputs that are key assumptions, due to factors such as changes in market environment.

If the spread of COVID-19 causes turmoil in financial markets, this may have an impact on key assumptions for fair value measurement of securities, resulting in a significant impact on the consolidated financial statements of the following fiscal year.

(16) Accounting Pronouncements Issued but not yet Adopted

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), "Accounting Standard for Financial Instruments" (ASBJ statement No. 10, July 4, 2019), "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

1) Overview

"Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter "Fair Value Measurement Accounting Standards") were developed to encourage the preparation for more readily comparable financial information on an international financial standard basis, and subsequently guidance for fair value measurements among others has been established. The Fair Value Measurement Accounting Standards are applied to the calculation of the fair value for the following items.

*Financial instruments subjected to the "Accounting Standard for Financial Instruments"

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised stipulating the required disclosure of a breakdown of financial instruments according to their fair value levels among other requirements.

2) Scheduled date of application

The implementation of these standards is scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

3) Impact from the application of these accounting standards

Evaluation of the impact was ongoing at the time when these consolidated financial statements were prepared.

(17) Changes in Presentation

Adoption of "Accounting Standard for Disclosure of Accounting Estimates"

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) is adopted to the consolidated financial statements for the fiscal year ended March 31, 2021, and notes on the significant accounting estimates used in the consolidated financial statements are disclosed.

However, in accordance with the transitional treatment set forth in the proviso of paragraph 11 of this accounting standard, the details related to the consolidated financial statements for the fiscal year ended March 31, 2020, are not disclosed in the notes.

(18) 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, 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, 2021 and 2020, were ¥290 million (\$2,621 thousand) and 228 thousand shares, and ¥358 million and 282 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, 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 (herein after 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, 2021 and 2020, were ¥555 million (\$5,014 thousand) and 493 thousand shares, and ¥523 million and 400 thousand shares, respectively.

3. Foreign Exchanges

Foreign exchanges as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Assets:			
Due from foreign banks	¥80,847	¥147,469	\$730,265
Total	¥80,847	¥147,469	\$730,265
Liabilities:			
Foreign bills payable	¥ 514	¥ 511	\$ 4,651
Total	¥ 514	¥ 511	\$ 4,651

4. Other Assets

Other assets as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Domestic exchange settlement accounts—debit	¥ 24,717	¥ 24,721	\$ 223,264
Prepaid expenses	4,027	2,334	36,377
Accrued income	178,049	207,314	1,608,253
Initial margins for future transactions	150,929	147,125	1,363,289
Variation margins for future transactions	147	—	1,336
Derivatives other than trading	114,058	331,589	1,030,244
Cash collateral paid for financial instruments	313,549	292,377	2,832,169
Advance payments of funds necessary for delivery of deposits in bank agency services	810,000	810,000	7,316,412
Other	1,262,135	1,000,718	11,400,370
Total	¥2,857,615	¥2,816,182	\$25,811,717

5. Accumulated Depreciation on Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets as of March 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Accumulated depreciation	¥186,453	¥179,600	\$1,684,165

6. Assets Pledged as Collateral

Assets pledged as collateral and their relevant liabilities as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Assets pledged as collateral:			
Securities	¥20,431,474	¥17,492,933	\$184,549,490
Liabilities corresponding to assets pledged as collateral:			
Deposits	754,882	939,049	6,818,558
Payables under repurchase agreements	14,886,481	14,841,880	134,463,743
Payables under securities lending transactions	1,504,543	2,168,924	13,589,954
Borrowed money	3,917,500	10,100	35,385,240

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 ¥2,951,466 million (\$26,659,442 thousand) and ¥1,494,137 million as of March 31, 2021 and 2020, respectively.

"Other assets" included initial margins for future transactions of ¥150,929 million (\$1,363,289 thousand) and ¥147,125 million, guarantee deposits of ¥2,090 million (\$18,883 thousand) and ¥2,046 million, cash collateral paid for financial instruments of ¥313,549 million (\$2,832,169 thousand) and ¥292,377 million, margins with central counterparty of ¥679,900 million (\$6,141,273 thousand) and ¥692,575 million, and other margins, etc. of ¥208,129 million (\$1,879,955 thousand) and ¥13,028 million as of March 31, 2021 and 2020, respectively.

7. Deposits

Deposits as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Transfer deposits	¥ 9,145,203	¥ 7,709,577	\$ 82,605,033
Ordinary deposits	90,808,242	78,425,052	820,235,232
Savings deposits	612,591	508,971	5,533,300
Time deposits	4,709,291	5,225,651	42,537,180
Special deposits*	738,060	921,218	6,666,611
TEIGAKU deposits**	83,436,358	90,073,256	753,647,893
Other deposits	138,801	138,256	1,253,738
Total	¥189,588,549	¥183,001,984	\$1,712,478,990

*"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 and Lease Obligations

Borrowed money and lease obligations as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen			
	2021			
	Amount at the beginning of the fiscal year	Amount at the end of the fiscal year	Average interest rate*	Maturity for repayment
Borrowed money:	¥10,100	¥3,917,500	—%	
Borrowings**	10,100	3,917,500	—%	June 2021— December 2024
Lease obligations***	—	5	—%	April 2021— July 2025

	Millions of yen			
	2020			
	Amount at the beginning of the fiscal year	Amount at the end of the fiscal year	Average interest rate*	Maturity for repayment
Borrowed money:	¥3,900	¥10,100	—%	
Borrowings**	3,900	10,100	—%	June 2020— December 2023
Lease obligations***	—	—	—%	

	Thousands of U.S. dollars			
	2021			
	Amount at the beginning of the fiscal year	Amount at the end of the fiscal year	Average interest rate*	Maturity for repayment
Borrowed money:	\$91,229	\$35,385,240	—%	
Borrowings**	91,229	35,385,240	—%	June 2021— December 2024
Lease obligations***	—	46	—%	April 2021— July 2025

*Average interest rate is calculated (weighted average) by interest rate and the amount at the end of the fiscal years ended March 31.
 **Borrowings are interest-free.
 ***The average interest rate of lease obligations is not presented above because interest included in the total amount of lease payments is allocated to each fiscal year using the straight-line method.
 Note: Borrowings are included in "Borrowed money" and lease obligations are included in "Other liabilities" in the accompanying consolidated balance sheets, respectively.

9. Other Liabilities

Other liabilities as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	
Domestic exchange settlement accounts—credit	¥ 37,070	¥ 36,254	\$ 334,843
Income taxes payable	46,175	22,269	417,080
Accrued expenses	242,373	435,571	2,189,261
Unearned income	59	68	539
Variation margins for future transactions	—	403	—
Derivatives other than trading	905,395	873,531	8,178,086
Cash collateral received for financial instruments	—	21,237	—
Asset retirement obligations	143	172	1,291
Accounts payable	276,621	173,139	2,498,612
Other	28,443	34,416	256,915
Total	¥1,536,281	¥1,597,067	\$13,876,630

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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
One year or less	¥158	¥406	\$1,435
Over one year	—	149	—
Total	¥158	¥556	\$1,435

11. Capital Stock

Capital stock consists of common stock. Common stock as of March 31, 2021 and 2020 was as follows:

	Number of shares			
	2021		2020	
	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, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Gains on foreign exchanges	¥254,662	¥202,139	\$2,300,265
Gains on sales of bonds	38,503	10,748	347,790
Income from derivatives other than for trading or hedging	513	—	4,641
Total	¥293,680	¥212,888	\$2,652,696

13. Other Income

Other income for the fiscal years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Reversal of reserve for possible loan losses	¥ 59	¥ —	\$ 535
Recoveries of written-off claims	24	23	223
Gains on sales of stocks and other securities	8,654	23,131	78,176
Gains on money held in trust	277,072	75,239	2,502,689
Income from deposits	1,473	1,288	13,310
Gains from investments in affiliates	289	239	2,610
Gains on negative goodwill	—	48	—
Other	9,706	8,336	87,671
Total	¥297,280	¥108,306	\$2,685,217

14. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Losses on sales of bonds	¥64,484	¥2,651	\$582,459
Expenses on derivatives other than for trading or hedging	—	1,739	—
Total	¥64,484	¥4,390	\$582,459

15. General and Administrative Expenses

General and administrative expenses for the fiscal years ended March 31, 2021 and 2020 included the following expenses:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	¥366,358	¥369,716	\$3,309,170
Contributions paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network	237,439	237,820	2,144,695

16. Other Expenses

Other expenses for the fiscal years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Provision for reserve for possible loan losses	¥ —	¥ 116	\$ —
Losses on sales of stocks and other securities	197,135	11,295	1,780,648
Losses on devaluation of stocks and other securities	—	20	—
Losses on money held in trust	4,323	2,401	39,050
Losses on sales and disposals of fixed assets	560	532	5,062
Losses on impairment of fixed assets	1,006	0	9,089
Losses on step acquisitions	—	21	—
Other	6,616	4,302	59,765
Total	¥209,642	¥18,691	\$1,893,617

17. Other Comprehensive Income (Loss)

Other comprehensive income (loss) for the fiscal years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥3,465,125	¥(2,801,375)	\$31,299,118
Reclassification adjustments	(246,946)	(345,596)	(2,230,567)
Before tax effect adjustments	3,218,179	(3,146,972)	29,068,550
Tax effect	(985,335)	963,721	(8,900,150)
Net unrealized gains (losses) on available-for-sale securities	2,232,843	(2,183,250)	20,168,399
Net deferred gains (losses) on hedges:			
Amount arising during the fiscal year	(177,663)	(555,492)	(1,604,760)
Reclassification adjustments	114,017	173,913	1,029,878
Adjustments of assets' acquisition costs	(1,701)	(1,248)	(15,370)
Before tax effect adjustments	(65,346)	(382,826)	(590,252)
Tax effect	22,800	117,239	205,949
Net deferred gains (losses) on hedges	(42,546)	(265,586)	(384,302)
Adjustments for retirement benefits:			
Amount arising during the fiscal year	2,724	(13)	24,610
Reclassification adjustments	(1,922)	(1,943)	(17,364)
Before tax effect adjustments	802	(1,956)	7,246
Tax effect	(245)	599	(2,219)
Adjustments for retirement benefits	556	(1,357)	5,027
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)	(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)
Total other comprehensive income (loss)	¥2,190,854	¥(2,450,194)	\$19,789,124

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, 2021 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	751,207	326	288	751,246	*, **, ***

*The number of shares of treasury stock at the beginning of the fiscal year and that at the end of the fiscal year included 682 thousand shares and 721 thousand shares of treasury stock held by the stock benefit trust.
 **An increase of 326 thousand shares of treasury stock is due to the purchases of 326 thousand shares of treasury stock by the stock benefit trust and the purchase of 0 thousand shares of shares less than one unit.
 ***A decrease of 288 thousand shares of treasury stock is attributable to a decrease of 288 thousand shares of treasury stock due to the grant and the sale of treasury stock by the stock benefit trust.

Type and number of shares issued and treasury stock for the fiscal year ended March 31, 2020 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	751,208	308	309	751,207	*, **, ***

*The number of shares of treasury stock at the beginning of the fiscal year and that at the end of the fiscal year included 683 thousand shares and 682 thousand shares of treasury stock held by the stock benefit trust.
 **An increase of 308 thousand shares of treasury stock is due to the purchases of 308 thousand shares of treasury stock by the stock benefit trust and the purchase of 0 thousand shares of shares less than one unit.
 ***A decrease of 309 thousand shares of treasury stock is attributable to a decrease of 309 thousand shares of treasury stock due to the grant and the sale of treasury stock by the stock benefit trust.

Dividends distributed during the fiscal year ended March 31, 2021

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, 2020 at the meeting of the Board of Directors	Common stock	¥93,736	\$846,688	¥25.00	\$0.22	March 31, 2020	June 17, 2020

Note: The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2020 included dividends of ¥17 million (\$154 thousand) for the Bank's shares held by the stock benefit trust.

Dividends distributed during the fiscal year ended March 31, 2020

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 15, 2019 at the meeting of the Board of Directors	Common stock	¥93,736	¥25.00	March 31, 2019	June 19, 2019
November 14, 2019 at the meeting of the Board of Directors	Common stock	¥93,736	¥25.00	September 30, 2019	December 6, 2019

Note: The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2019 and November 14, 2019 included dividends of ¥17 million and ¥17 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, 2021 and 2020 and with the effective date coming after the end of the fiscal years

Resolution	Type	2021					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 14, 2021 at the meeting of the Board of Directors	Common stock	¥187,473	\$1,693,376	Retained earnings	¥50.00	\$0.45	March 31, 2021	June 18, 2021

Note: The total amount of dividends resolved by the Board of Directors' meeting held on May 14, 2021 included dividends of ¥36 million (\$325 thousand) for the Bank's shares held by the stock benefit trust.

Resolution	Type	2020					Record date	Effective date
		Cash dividends (Millions of yen)	Resource of dividends	Cash dividends per share (Yen)	Record date	Effective date		
May 15, 2020 at the meeting of the Board of Directors	Common stock	¥93,736	Retained earnings	¥25.00	March 31, 2020	June 17, 2020		

Note: The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2020 included dividends of ¥17 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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and due from banks	¥60,769,486	¥51,665,251	\$548,906,932
Due from banks, -negotiable certificates of deposit in other banks	(65,000)	(65,000)	(587,119)
Cash and cash equivalents	¥60,704,486	¥51,600,251	\$548,319,813

20. Leases

Operating lease transactions:

Future lease payments on non-cancelable operating leases as of March 31, 2021 and 2020 were as follows:

(Lessees)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Due within one year	¥342	¥340	\$3,096
Due over one year	68	386	614
Total	¥410	¥727	\$3,710

(Lessors)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Due within one year	¥101	¥101	\$915
Due over one year	—	101	—
Total	¥101	¥202	\$915

21. Securities

Stocks and investments in capital of non-consolidated subsidiaries and affiliates as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Stocks	¥ 846	¥701	\$ 7,650
Investments in capital	1,477	—	13,342

As of March 31, 2021 and 2020, Japanese government bonds in “Securities” include ¥2,070,129 million (\$18,698,667 thousand) and ¥1,939,840 million of unsecured and secured loaned securities for which borrowers have the right to sell or pledge (securities collateralized bond lending/borrowing transactions).

Of the securities that the Group had the right to sell or (re-)pledge without restrictions among those purchased under resale agreements, etc., the Group held ¥64,499 million of securities (re-)pledged as of March 31, 2020 and held ¥1,894,866 million (\$17,115,585 thousand) and ¥5,394,231 million of those neither sold nor pledged as of March 31, 2021 and 2020, 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 stock 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 and others 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.

Derivative transactions 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 credit risk management activities including credit risk measurement, management of credit concentration risk and the Group's internal credit rating system. 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, stock 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, 2021 and 2020, the Group calculates the amounts of its market risk volume (estimated potential losses from such risk) at ¥3,689,515 million (\$33,325,946 thousand) and ¥2,925,366 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 reasonably calculated prices in cases of no readily available market price. Various assumptions are used in these price estimates. Accordingly, the fair value may be changed if different assumptions and other factors are applied.

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, 2021 and 2020 were as follows:

	Millions of yen		
	Amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 60,769,486	¥ 60,769,486	¥ —
(2) Call loans	1,390,000	1,390,000	—
(3) Receivables under resale agreements	9,721,360	9,721,360	—
(4) Receivables under securities borrowing transactions	—	—	—
(5) Monetary claims bought	362,212	362,212	—
(6) Trading account securities:			
Securities classified as trading purposes	13	13	—
(7) Money held in trust	5,099,821	5,083,744	(16,076)
(8) Securities:			
Held-to-maturity securities	25,178,079	25,416,257	238,178
Available-for-sale securities	110,713,723	110,713,723	—
(9) Loans:	4,691,723		
Reserve for possible loan losses*	(145)		
	4,691,577	4,710,098	18,520
Total assets	¥217,926,276	¥218,166,898	¥240,621
(1) Deposits	¥189,588,549	¥189,636,410	¥ 47,861
(2) Payables under repurchase agreements	14,886,481	14,886,481	—
(3) Payables under securities lending transactions	1,504,543	1,504,543	—
(4) Borrowed money	3,917,500	3,917,500	—
Total liabilities	¥209,897,073	¥209,944,935	¥ 47,861
Derivative transactions**:			
For which hedge accounting is not applied	¥ (6,066)	¥ (6,066)	¥ —
For which hedge accounting is applied	(785,271)	(785,271)	—
Total derivative transactions	¥ (791,337)	¥ (791,337)	¥ —

	Millions of yen		
	2020		
	Amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 51,665,251	¥ 51,665,251	¥ —
(2) Call loans	1,040,000	1,040,000	—
(3) Receivables under resale agreements	9,731,897	9,731,897	—
(4) Receivables under securities borrowing transactions	112,491	112,491	—
(5) Monetary claims bought	315,812	315,812	—
(6) Trading account securities:			
Securities classified as trading purposes	31	31	—
(7) Money held in trust	4,181,926	4,179,289	(2,637)
(8) Securities:			
Held-to-maturity securities	24,170,708	24,661,546	490,838
Available-for-sale securities	109,282,514	109,282,514	—
(9) Loans:	4,961,733		
Reserve for possible loan losses*	(104)		
	4,961,628	4,969,048	7,419
Total assets	¥205,462,263	¥205,957,884	¥495,620
(1) Deposits	¥183,001,984	¥183,046,848	¥ 44,863
(2) Payables under repurchase agreements	14,855,624	14,855,624	—
(3) Payables under securities lending transactions	2,219,384	2,219,384	—
(4) Borrowed money	10,100	10,100	—
Total liabilities	¥200,087,094	¥200,131,957	¥ 44,863
Derivative transactions**:			
For which hedge accounting is not applied	¥ 158	¥ 158	¥ —
For which hedge accounting is applied	(542,100)	(542,100)	—
Total derivative transactions	¥ (541,942)	¥ (541,942)	¥ —

	Thousands of U.S. dollars		
	2021		
	Amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	\$ 548,906,932	\$ 548,906,932	\$ —
(2) Call loans	12,555,324	12,555,324	—
(3) Receivables under resale agreements	87,809,239	87,809,239	—
(4) Receivables under securities borrowing transactions	—	—	—
(5) Monetary claims bought	3,271,727	3,271,727	—
(6) Trading account securities:			
Securities classified as trading purposes	124	124	—
(7) Money held in trust	46,064,686	45,919,471	(145,215)
(8) Securities:			
Held-to-maturity securities	227,423,716	229,575,085	2,151,368
Available-for-sale securities	1,000,033,632	1,000,033,632	—
(9) Loans:	42,378,501		
Reserve for possible loan losses*	(1,317)		
	42,377,183	42,544,472	167,289
Total assets	\$1,968,442,568	\$1,970,616,011	\$2,173,443
(1) Deposits	\$1,712,478,990	\$1,712,911,305	\$ 432,314
(2) Payables under repurchase agreements	134,463,743	134,463,743	—
(3) Payables under securities lending transactions	13,589,954	13,589,954	—
(4) Borrowed money	35,385,240	35,385,240	—
Total liabilities	\$1,895,917,929	\$1,896,350,244	\$ 432,314
Derivative transactions**:			
For which hedge accounting is not applied	\$ (54,793)	\$ (54,793)	\$ —
For which hedge accounting is applied	(7,093,047)	(7,093,047)	—
Total derivative transactions	\$ (7,147,841)	\$ (7,147,841)	\$ —

*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.

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 the securities representing trust assets in money held in trust, the Group uses the price at the exchange market for stocks and the Reference Statistical 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 bonds, the Group uses the price quoted on the securities exchange, the Reference Statistical 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.

(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

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

(4) Borrowed money

The fair value of borrowed money is stated at its present value, which is calculated by discounting the projected future cash flow, using the refinancing rate applicable to a similar loan. The fair value of borrowed money on a short-term contract (due within one year) 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, 2021 and 2020 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
	2021	2020	2021
Money held in trust*	¥ 447,752	¥ 367,810	\$ 4,044,373
Securities:			
Unlisted stocks**	24,170	10,654	218,326
Investment trusts***	2,217,712	1,692,354	20,031,724
Investments in partnerships****	70,176	48,333	633,875
Other	393	—	3,557
Total	¥2,760,205	¥2,119,152	\$24,931,856

* Money held in trust, within which the underlying investment assets 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 they were deemed to be extremely difficult to determine a fair value.

*** Investment trusts, within which the underlying investment assets 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, 2021 and 2020 were as follows:

	Millions of yen					
	2021					
	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	¥60,465,645	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	1,390,000	—	—	—	—	—
Receivables under resale agreements	9,721,360	—	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—	—	—
Monetary claims bought	3,666	37,072	32,159	58,153	81,957	148,106
Securities:	15,047,017	29,271,851	8,642,131	9,805,391	10,049,266	18,294,298
Held-to-maturity securities:	6,362,407	11,507,925	1,198,328	822,487	1,398,730	3,878,818
Japanese government bonds	6,304,300	10,730,100	—	—	—	3,550,000
Japanese local government bonds	42,607	174,212	671,088	138,904	855,960	—
Japanese corporate bonds	15,500	603,613	527,240	683,583	542,770	328,818
Available-for-sale securities (with maturity date):	8,684,609	17,763,926	7,443,802	8,982,904	8,650,536	14,415,480
Japanese government bonds	2,328,274	9,359,310	1,318,510	4,374,471	4,576,298	6,952,100
Japanese local government bonds	694,718	1,380,556	745,369	636,989	106,396	—
Japanese corporate bonds	2,863,568	1,805,356	1,400,068	761,350	496,400	926,570
Other securities	2,798,048	5,218,702	3,979,854	3,210,093	3,471,441	6,536,809
Loans	2,464,331	695,648	549,390	254,418	386,697	334,474
Total	¥89,092,022	¥30,004,572	¥9,223,680	¥10,117,963	¥10,517,920	¥18,776,879

	Millions of yen					
	2020					
	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	¥51,331,877	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	1,040,000	—	—	—	—	—
Receivables under resale agreements	9,731,897	—	—	—	—	—
Receivables under securities borrowing transactions	112,491	—	—	—	—	—
Monetary claims bought	12,044	20,356	23,836	76,319	34,107	147,088
Securities:	14,590,455	30,762,339	15,555,202	6,699,997	10,015,666	15,367,944
Held-to-maturity securities:	2,753,916	15,129,805	3,149,289	252,456	1,378,045	1,500,061
Japanese government bonds	2,726,900	14,981,100	2,053,300	—	—	1,284,000
Japanese local government bonds	7,116	68,635	383,573	97,320	583,371	—
Japanese corporate bonds	19,900	80,070	712,415	155,136	794,673	216,061
Available-for-sale securities (with maturity date):	11,836,538	15,632,534	12,405,913	6,447,540	8,637,620	13,867,883
Japanese government bonds	4,874,417	7,346,387	4,613,904	3,327,341	4,390,657	6,792,700
Japanese local government bonds	1,182,344	1,410,522	1,142,129	594,633	452,122	—
Japanese corporate bonds	2,079,210	1,956,271	1,461,105	820,646	524,300	1,035,111
Other securities	3,700,566	4,919,353	5,188,774	1,704,919	3,270,541	6,040,072
Loans	3,155,471	616,403	387,376	237,915	288,340	270,443
Total	¥79,974,238	¥31,399,099	¥15,966,415	¥7,014,232	¥10,338,114	¥15,785,477

	Thousands of U.S. dollars					
	2021					
	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	\$546,162,455	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans	12,555,324	—	—	—	—	—
Receivables under resale agreements	87,809,239	—	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—	—	—
Monetary claims bought	33,121	334,857	290,482	525,278	740,286	1,337,787
Securities:	135,913,808	264,401,153	78,060,979	88,568,257	90,771,084	165,245,223
Held-to-maturity securities:	57,469,134	103,946,577	10,824,033	7,429,209	12,634,181	35,035,842
Japanese government bonds	56,944,268	96,920,784	—	—	—	32,065,757
Japanese local government bonds	384,860	1,573,593	6,061,678	1,254,666	7,731,553	—
Japanese corporate bonds	140,005	5,452,199	4,762,354	6,174,542	4,902,628	2,970,084
Available-for-sale securities (with maturity date):	78,444,673	160,454,576	67,236,946	81,139,048	78,136,902	130,209,381
Japanese government bonds	21,030,391	84,538,983	11,909,586	39,512,883	41,335,911	62,795,592
Japanese local government bonds	6,275,119	12,470,029	6,732,629	5,753,673	961,037	—
Japanese corporate bonds	25,865,490	16,307,074	12,646,265	6,876,975	4,483,786	8,369,350
Other securities	25,273,672	47,138,488	35,948,465	28,995,516	31,356,166	59,044,439
Loans	22,259,339	6,283,520	4,962,428	2,298,058	3,492,882	3,021,175
Total	\$804,733,289	\$271,019,532	\$83,313,891	\$91,391,595	\$95,004,254	\$169,604,186

Scheduled repayment amounts of interest-bearing liabilities subsequent to the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of yen					
	2021					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	¥117,631,529	¥11,086,454	¥11,688,362	¥21,295,472	¥27,886,729	¥—
Payables under repurchase agreements	14,886,481	—	—	—	—	—
Payables under securities lending transactions	1,504,543	—	—	—	—	—
Borrowed money	3,904,600	7,700	5,200	—	—	—
Total	¥137,927,154	¥11,094,154	¥11,693,562	¥21,295,472	¥27,886,729	¥—

	Millions of yen					
	2020					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	¥105,874,459	¥15,016,765	¥13,244,338	¥15,125,567	¥33,740,852	¥—
Payables under repurchase agreements	14,855,624	—	—	—	—	—
Payables under securities lending transactions	2,219,384	—	—	—	—	—
Borrowed money	5,100	2,600	2,400	—	—	—
Total	¥122,954,569	¥15,019,365	¥13,246,738	¥15,125,567	¥33,740,852	¥—

	Thousands of U.S. dollars					
	2021					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	\$1,062,519,463	\$100,139,595	\$105,576,392	\$192,353,651	\$251,889,887	\$—
Payables under repurchase agreements	134,463,743	—	—	—	—	—
Payables under securities lending transactions	13,589,954	—	—	—	—	—
Borrowed money	35,268,720	69,551	46,969	—	—	—
Total	\$1,245,841,881	\$100,209,146	\$105,623,362	\$192,353,651	\$251,889,887	\$—

*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, 2021 and 2020.

b. Held-to-maturity securities

		Millions of yen		
		2021		
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	¥18,677,079	¥18,933,328	¥256,249
	Japanese local government bonds	1,034,174	1,037,327	3,152
	Japanese corporate bonds	1,324,166	1,335,856	11,690
	Total	21,035,420	21,306,512	271,092
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	1,899,303	1,873,734	(25,569)
	Japanese local government bonds	857,086	855,539	(1,547)
	Japanese corporate bonds	1,386,269	1,380,471	(5,797)
	Total	4,142,659	4,109,745	(32,914)
Total	¥25,178,079	¥25,416,257	¥238,178	

		Millions of yen		
		2020		
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	¥20,804,000	¥21,279,726	¥475,726
	Japanese local government bonds	546,335	549,334	2,998
	Japanese corporate bonds	1,250,441	1,267,850	17,409
	Total	22,600,777	23,096,911	496,134
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	234,148	233,940	(208)
	Japanese local government bonds	600,452	599,119	(1,332)
	Japanese corporate bonds	735,330	731,575	(3,754)
	Total	1,569,931	1,564,634	(5,296)
Total	¥24,170,708	¥24,661,546	¥490,838	

		Thousands of U.S. dollars		
		2021		
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	\$168,702,732	\$171,017,331	\$2,314,599
	Japanese local government bonds	9,341,294	9,369,771	28,476
	Japanese corporate bonds	11,960,672	12,066,265	105,592
	Total	190,004,699	192,453,368	2,448,668
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	17,155,662	16,924,706	(230,956)
	Japanese local government bonds	7,741,725	7,727,751	(13,974)
	Japanese corporate bonds	12,521,628	12,469,259	(52,369)
	Total	37,419,016	37,121,716	(297,299)
Total	\$227,423,716	\$229,575,085	\$2,151,368	

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

		Millions of yen		
		2021		
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	Bonds:	¥ 31,908,997	¥ 31,257,734	¥ 651,262
	Japanese government bonds	23,640,387	23,047,518	592,868
	Japanese local government bonds	3,277,504	3,260,034	17,470
	Japanese corporate bonds	4,991,105	4,950,182	40,923
	Others:	62,306,084	60,291,563	2,014,520
	Foreign bonds	19,267,470	18,156,915	1,110,554
	Investment trusts (Note 2)	42,831,251	41,928,585	902,666
Total	94,215,081	91,549,298	2,665,783	
Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Bonds:	9,915,164	9,968,604	(53,440)
	Japanese government bonds	6,276,707	6,326,778	(50,070)
	Japanese local government bonds	325,048	325,346	(297)
	Japanese corporate bonds	3,313,408	3,316,480	(3,072)
	Others:	7,010,689	7,216,565	(205,875)
	Foreign bonds	4,237,646	4,316,801	(79,155)
	Investment trusts (Note 2)	2,553,193	2,679,643	(126,450)
Total	16,925,854	17,185,170	(259,316)	
Total	¥111,140,936	¥108,734,468	¥2,406,467	

		Millions of yen		
		2020		
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	Bonds:	¥ 38,512,761	¥ 37,607,986	¥ 904,775
	Japanese government bonds	30,054,591	29,222,557	832,033
	Japanese local government bonds	4,060,016	4,033,405	26,611
	Japanese corporate bonds	4,398,154	4,352,023	46,130
	Others:	17,336,223	16,087,226	1,248,996
	Foreign bonds	13,386,880	12,368,771	1,018,109
	Investment trusts (Note 2)	3,758,275	3,529,533	228,742
Total	55,848,985	53,695,213	2,153,772	
Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Bonds:	6,854,219	6,901,858	(47,638)
	Japanese government bonds	2,543,373	2,581,183	(37,810)
	Japanese local government bonds	779,544	780,480	(935)
	Japanese corporate bonds	3,531,301	3,540,194	(8,892)
	Others:	46,960,122	49,818,126	(2,858,003)
	Foreign bonds	10,319,989	10,908,673	(588,683)
	Investment trusts (Note 2)	36,450,387	38,719,545	(2,269,158)
Total	53,814,342	56,719,984	(2,905,642)	
Total	¥109,663,327	¥110,415,197	¥ (751,869)	

		Thousands of U.S. dollars		
		2021		
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	Bonds:	\$ 288,221,456	\$282,338,856	\$ 5,882,600
	Japanese government bonds	213,534,342	208,179,190	5,355,152
	Japanese local government bonds	29,604,416	29,446,612	157,804
	Japanese corporate bonds	45,082,697	44,713,054	369,643
	Others:	562,786,419	544,590,041	18,196,377
	Foreign bonds	174,035,498	164,004,299	10,031,198
	Investment trusts (Note 2)	386,877,892	378,724,462	8,153,430
Total	851,007,876	826,928,898	24,078,977	
Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Bonds:	89,559,792	90,042,498	(482,705)
	Japanese government bonds	56,695,039	57,147,305	(452,265)
	Japanese local government bonds	2,936,033	2,938,723	(2,690)
	Japanese corporate bonds	29,928,718	29,956,469	(27,750)
	Others:	63,324,810	65,184,405	(1,859,594)
	Foreign bonds	38,276,995	38,991,971	(714,976)
	Investment trusts (Note 2)	23,061,996	24,204,172	(1,142,175)
Total	152,884,603	155,226,903	(2,342,300)	
Total	\$1,003,892,479	\$982,155,802	\$21,736,677	

Notes: 1. Of the difference shown above, ¥173,512 million (\$1,567,271 thousand) profit and ¥308,341 million losses were included in the consolidated statements of income for the fiscal years ended March 31, 2021 and 2020, 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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
	Amount on the consolidated balance sheet	Amount on the consolidated balance sheet	Amount on the consolidated balance sheet
Japanese stocks	¥ 23,323	¥ 9,953	\$ 210,675
Investment trusts	2,217,712	1,692,354	20,031,724
Investments in partnerships	68,699	48,333	620,533
Other	393	—	3,557
Total	¥2,310,129	¥1,750,640	\$20,866,491

Since these securities did not have a market price and they were 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, 2021 and 2020.

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

Available-for-sale securities sold during the fiscal years ended March 31, 2021 and 2020 consisted of the following:

Type	Millions of yen		
	2021		
	Sales proceeds	Total realized gains	Total realized losses
Japanese stocks	¥ —	¥ —	¥ —
Bonds:	1,672,266	2,846	(44,514)
Japanese government bonds	1,671,527	2,846	(44,505)
Japanese corporate bonds	738	—	(9)
Others:	3,266,139	44,312	(217,105)
Foreign bonds	2,503,750	35,657	(19,969)
Investment trusts	762,388	8,654	(197,135)
Total	¥4,938,406	¥47,158	¥(261,619)

Type	Millions of yen		
	2020		
	Sales proceeds	Total realized gains	Total realized losses
Japanese stocks	¥ 98,055	¥ 8,143	¥ (1,868)
Bonds:	988,246	6,217	(2,651)
Japanese government bonds	985,609	6,217	(2,578)
Japanese corporate bonds	2,637	—	(72)
Others:	1,148,749	19,518	(9,427)
Foreign bonds	341,093	4,531	—
Investment trusts	807,655	14,987	(9,427)
Total	¥2,235,051	¥33,879	¥(13,946)

Type	Thousands of U.S. dollars		
	2021		
	Sales proceeds	Total realized gains	Total realized losses
Japanese stocks	\$ —	\$ —	\$ —
Bonds:	15,104,931	25,713	(402,082)
Japanese government bonds	15,098,256	25,713	(402,000)
Japanese corporate bonds	6,674	—	(82)
Others:	29,501,753	400,253	(1,961,025)
Foreign bonds	22,615,396	322,077	(180,376)
Investment trusts	6,886,357	78,176	(1,780,648)
Total	\$44,606,684	\$425,967	\$(2,363,108)

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. No impairment losses were recognized for the fiscal year ended March 31, 2021. Impairment losses for the fiscal year ended March 31, 2020 amounted to ¥20 million.

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.

The Group did not hold money held in trust for the purpose of trading as of March 31, 2021 and 2020.

The Group did not hold money held in trust for the purpose of held-to-maturity as of March 31, 2021 and 2020.

Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2021 and 2020 were as follows:

	Millions of yen				
	2021				
	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	¥5,099,821	¥3,744,714	¥1,355,107	¥1,375,644	¥(20,537)

	Millions of yen				
	2020				
	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	¥4,181,926	¥3,366,562	¥815,364	¥869,238	¥(53,874)

	Thousands of U.S. dollars				
	2021				
	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	\$46,064,686	\$33,824,536	\$12,240,150	\$12,425,654	\$(185,504)

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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
	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	¥447,752	¥367,810	\$4,044,373

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, 2021 and 2020 amounted to ¥5,528 million (\$49,935 thousand) and ¥9,212 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, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Valuation differences:	¥ 3,588,270	¥ 370,090	\$32,411,436
Available-for-sale securities	2,235,145	(443,761)	20,189,194
Money held in trust classified as:			
Available-for-sale	1,353,124	813,852	12,222,242
Deferred tax assets (liabilities)	(1,098,729)	(113,393)	(9,924,394)
Unrealized gains (losses) on available-for-sale securities (before adjustment)	2,489,540	256,696	22,487,042
Amount corresponding to non-controlling interests	(558)	177	(5,040)
Amount corresponding to net unrealized gains (losses) on available-for-sale securities owned by affiliated company, which is attributable to the Bank	—	0	—
Unrealized gains (losses) on available-for-sale securities	¥ 2,488,982	¥ 256,874	\$22,482,002

Notes: 1. In addition to the difference shown above, ¥173,512 million (\$1,567,271 thousand) profit and ¥308,341 million losses were included in the consolidated statements of income for the fiscal years ended March 31, 2021 and 2020, respectively, because of the application of fair value hedge accounting.
2. "Valuation differences" for the fiscal years ended March 31, 2021 and 2020 included the following:
• Foreign currency translation adjustment related to available-for-sale securities denominated in foreign currencies that are deemed to be extremely difficult to determine the fair value and valuation differences related to available-for-sale securities which comprised partnership asset components: ¥2,190 million (\$19,788 thousand) profit
Valuation differences related to available-for-sale securities which comprised partnership asset components: ¥232 million losses
• Foreign currency translation adjustment related to available-for-sale securities denominated in foreign currencies included in the underlying investment assets of money held in trust classified as available-for-sale that is deemed to be extremely difficult to determine a fair value: ¥1,982 million (\$17,908 thousand) losses and ¥1,511 million losses

24. Derivatives

a. Derivatives for which hedge accounting is not applied as of March 31, 2021 and 2020

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

There was no interest rate-related derivatives as of March 31, 2021.

Category	Type	Millions of yen			
		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	¥146,267	¥127,766	¥ 34,182	¥ 34,182
	Interest rate swap transactions: Pay fixed swaps, receive floating swaps	162,156	141,370	(34,764)	(34,764)
Total		/	/	¥ (582)	¥ (582)

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

Category	Type	Millions of yen			
		Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Foreign exchange forward contracts—sold	¥574,082	¥—	¥(17,612)	¥(17,612)
	Foreign exchange forward contracts—bought	559,872	—	11,117	11,117
Total		/	/	¥ (6,495)	¥ (6,495)

Category	Type	Millions of yen			
		Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Foreign exchange forward contracts—sold	¥285,497	¥—	¥(1,302)	¥(1,302)
	Foreign exchange forward contracts—bought	148,351	—	289	289
Total		/	/	¥(1,013)	¥(1,013)

Category	Type	Thousands of U.S. dollars			
		Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Foreign exchange forward contracts—sold	\$5,185,459	\$—	\$(159,083)	\$(159,083)
	Foreign exchange forward contracts—bought	5,057,107	—	100,416	100,416
Total		/	/	\$ (58,667)	\$ (58,667)

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

There was no equity-related derivatives as of March 31, 2021.

Category	Type	Millions of yen			
		Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Equity price index futures—sold	¥35,773	¥—	¥698	¥698
Total		/	/	¥698	¥698

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

Category	Type	Millions of yen			
		Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Bond futures—sold	¥19,470	¥—	¥(147)	¥(147)
Total		/	/	¥(147)	¥(147)

Category	Type	Millions of yen			
		Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Bond futures—sold	¥17,932	¥—	¥403	¥403
Total		/	/	¥403	¥403

		Thousands of U.S. dollars			
		2021			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Bond futures—sold	\$175,864	\$—	\$(1,336)	\$(1,336)
Total		/	/	\$(1,336)	\$(1,336)

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 Eurex Exchange.

(5) Commodity-related derivatives: None as of March 31, 2021 and 2020

(6) Credit derivatives

		Millions of yen			
		2021			
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	¥28,107	¥28,107	¥576	¥576
Total		/	/	¥576	¥576

		Millions of yen			
		2020			
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	¥28,088	¥28,088	¥651	¥651
Total		/	/	¥651	¥651

		Thousands of U.S. dollars			
		2021			
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	\$253,880	\$253,880	\$5,209	\$5,209
Total		/	/	\$5,209	\$5,209

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, 2021 and 2020

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		
			2021		
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),	¥3,400,000	¥3,400,000	¥ 40,662
	Interest rate swap transactions: Pay fixed swaps, receive floating swaps	Deposits	4,736,647	3,574,948	(233,971)
Total			/	/	¥(193,308)

			Millions of yen		
			2020		
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),	¥3,400,000	¥3,400,000	¥ 59,751
	Interest rate swap transactions: Pay fixed swaps, receive floating swaps	Deposits	5,513,409	4,894,995	(525,138)
Total			/	/	¥(465,386)

			Thousands of U.S. dollars		
			2021		
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),	\$30,710,866	\$30,710,866	\$ 367,292
	Interest rate swap transactions: Pay fixed swaps, receive floating swaps	Deposits	42,784,277	32,291,103	(2,113,372)
Total			/	/	\$(1,746,080)

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		
			2021		
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)	¥8,073,418	¥7,167,516	¥(409,961)
Accounting method for recognizing gains and losses on hedged items	Currency swap	Available-for-sale securities (Foreign securities)	911,908	532,259	(39,259)
	Foreign exchange forward contracts—sold		3,096,033	—	(142,741)
Total			/	/	¥(591,962)

Hedge accounting method	Type	Primary hedged instrument	Millions of yen		
			2020		
			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)	¥7,426,920	¥6,585,868	¥(80,233)
Accounting method for recognizing gains and losses on hedged items	Currency swap	Available-for-sale securities (Foreign securities)	411,296	411,296	(5,989)
	Foreign exchange forward contracts—sold		2,722,207	—	9,509
Total			/	/	¥(76,713)

Hedge accounting method	Type	Primary hedged instrument	Thousands of U.S. dollars		
			2021		
			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)	\$72,924,022	\$64,741,368	\$(3,703,021)
Accounting method for recognizing gains and losses on hedged items	Currency swap	Available-for-sale securities (Foreign securities)	8,236,908	4,807,693	(354,616)
	Foreign exchange forward contracts—sold		27,965,253	—	(1,289,329)
Total			/	/	\$(5,346,967)

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) Equity-related derivatives: None as of March 31, 2021 and 2020

(4) Bond-related derivatives: None as of March 31, 2021 and 2020

25. Loans

There were no loans to bankrupt borrowers, past-due loans for three months or more, and restructured loans as of March 31, 2021 and 2020.

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, 2021. Non-accrual delinquent loans, before reserved, were ¥0 million as of March 31, 2020. 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.

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, 2021. 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, 2020.

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 amount of unused commitment balance relating to these loan agreements as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unused commitment balance:	¥68,149	¥49,700	\$615,568
Loan agreements in which the term of the agreement was less than one year, or the unconditional cancellation of the agreement was allowed at any time	¥35,500	¥20,000	\$320,657

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 Group's established internal procedures and takes necessary measures to protect the Group's credit.

26. Retirement Benefits

An outline of employees' retirement benefits as of March 31, 2021 and 2020 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 its 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
	2021	2020	2021
Projected benefit obligation at the beginning of the fiscal year	¥134,232	¥134,837	\$1,212,473
Service cost	6,851	7,113	61,886
Interest cost on projected benefit obligation	935	943	8,449
Net actuarial (gains) losses arising during the fiscal year	(351)	13	(3,178)
Retirement benefits paid	(5,443)	(8,512)	(49,168)
Prior service cost arising during the fiscal year	(2,542)	—	(22,962)
Other	(139)	(163)	(1,258)
Projected benefit obligation at the end of the fiscal year	¥133,542	¥134,232	\$1,206,241

Note: Since the Group revised the lump-sum retirement payment plan due to the extension of the retirement age from 60 to 65, prior service cost was incurred for the fiscal year ended March 31, 2021.

(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
	2021	2020	2021
Unfunded projected benefit obligation	¥133,542	¥134,232	\$1,206,241
The liability for retirement benefits recorded on the consolidated balance sheet	¥133,542	¥134,232	\$1,206,241

(3) Total retirement benefit costs and components

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥ 6,851	¥ 7,113	\$ 61,886
Interest cost on projected benefit obligation	935	943	8,449
Amortization of net actuarial (gains) losses	(761)	(782)	(6,875)
Amortization of prior service cost	(1,330)	(1,161)	(12,019)
Other	32	77	297
Total retirement benefit costs related to the defined-benefit plan	¥ 5,727	¥ 6,191	\$ 51,738

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Prior service cost	¥1,211	¥(1,161)	\$10,943
Net actuarial (gains) losses	(409)	(795)	(3,696)
Total	¥ 802	¥(1,956)	\$ 7,246

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized prior service cost	¥6,920	¥5,709	\$62,513
Unrecognized net actuarial gains (losses)	1,277	1,686	11,540
Total	¥8,198	¥7,396	\$74,053

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

	2021	2020
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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Reserve for possible loan losses	¥ 0	¥ 7	\$ 3
Liability for retirement benefits	40,900	41,108	369,441
Accrued enterprise taxes	5,036	3,228	45,491
Net deferred losses on hedges	167,565	144,765	1,513,557
Reserve for reimbursement of deposits	22,610	24,599	204,229
Depreciation	7,762	8,775	70,113
Unrealized losses of money held in trust	3,123	1,680	28,214
Other	32,076	22,429	289,735
Subtotal deferred tax assets	279,076	246,593	2,520,785
Valuation allowance	(21)	(20)	(194)
Total deferred tax assets	279,054	246,572	2,520,590
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(1,098,729)	(113,393)	(9,924,394)
Other	(6,411)	(7,709)	(57,908)
Total deferred tax liabilities	(1,105,140)	(121,103)	(9,982,302)
Net deferred tax assets (liabilities)	¥ (826,086)	¥ 125,468	\$(7,461,711)

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, 2021 and 2020 was as follows:

	2021	2020
Effective statutory tax rate	30.62%	30.62%
Adjustments for:		
Permanent differences (e.g., Entertainment expenses)	0.00	0.00
Permanent differences (e.g., Cash dividends received)	(0.80)	(0.92)
Per capita inhabitants' taxes, etc.	0.07	0.07
Income tax credit	(2.28)	(2.45)
Other	1.20	0.58
Effective income tax rate	28.81%	27.91%

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 years ended March 31, 2021 and 2020.

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, 2021 and 2020.

(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, 2021 and 2020.

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, 2021 and 2020.

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 for the fiscal year ended March 31, 2021

The related information is omitted as the Group comprises of only one segment, which is defined as banking service, for the fiscal year ended March 31, 2020.

29. Related Party Transactions**a. Transactions with related parties**

Transactions between the Group and related parties for the fiscal years ended March 31, 2021 and 2020 were as follows:

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

For the fiscal year ended March 31, 2021

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 (\$31,614,126 thousand)	
Nature of transactions	Management of JAPAN POST GROUP Concurrent holding of positions by executive management directors Contract for using IT system service	
Details of transactions	Payment of brand royalty fees*	Payment of IT system service charge**
Transaction amount	¥4,210 million (\$38,027 thousand)	¥8,372 million (\$75,626 thousand)
Account	Other liabilities	Other liabilities
Outstanding balance at the end of the fiscal year	¥385 million (\$3,485 thousand)	¥1,616 million (\$14,598 thousand)

Transaction conditions and policies on determining transaction conditions, etc.

*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.

**Payment is made for IT system service within JAPAN POST GROUP 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, 2020

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 Contract for using IT system service	
Details of transactions	Payment of brand royalty fees*	Payment of IT system service charge**
Transaction amount	¥4,169 million	¥2,002 million
Account	Other liabilities	Other liabilities
Outstanding balance at the end of the fiscal year	¥382 million	¥454 million

Transaction conditions and policies on determining transaction conditions, etc.

*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.

**Payment is made for IT system service within JAPAN POST GROUP at rates determined based on arm's length principle.

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, 2021 and 2020

(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, 2021

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

Ownership of voting rights held	Nil			
Capital	¥400,000 million (\$3,613,043 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	¥366,358 million (\$3,309,170 thousand)	¥962,904 million (\$8,697,535 thousand)	—***	¥2,866 million (\$25,889 thousand)
Account	Other liabilities	Other assets**	Other assets***	Other liabilities Accrued expenses
Outstanding balance at the end of the fiscal year	¥36,516 million (\$329,835 thousand)	¥810,000 million (\$7,316,412 thousand)	¥10,279 million (\$92,853 thousand)	¥306 million (\$2,765 thousand) ¥50 million (\$453 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, 2021.

***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.

Notes: 1. Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

2. In addition to the above transactions, pursuant to the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network, from the fiscal year ended March 31, 2020, of the costs necessary to maintain the post office network, the costs that are indispensable for securing the universal services (except for those incurred by JAPAN POST Co., Ltd.) are covered by the subsidy from the Organization for Postal Savings, Postal Life Insurance and Post Office Network granted to JAPAN POST Co., Ltd. The subsidy has been funded by contributions from the Bank and JAPAN POST INSURANCE Co., Ltd. The contribution made by the Bank for the fiscal year ended March 31, 2021 was ¥237,439 million (\$2,144,695 thousand).

Japan Post Information Technology Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil
Capital	¥3,150 million (\$28,452 thousand)
Nature of transactions	Concurrent holding of positions by executive management directors Contract for using IT system service
Details of transactions	Payment of IT system service charge*
Transaction amount	¥9,945 million (\$89,829 thousand)
Account	Accrued expenses
Outstanding balance at the end of the fiscal year	¥11 million (\$106 thousand)

Transaction conditions and policies on determining transaction conditions, etc.

*Payment is made for IT system service within JAPAN POST GROUP 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, 2020

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 commis- sions on bank agency services, etc.*	Receipt and payment of funds related to bank agency services	—***	Payment of consignment fees for logistics operations****	
Transaction amount	¥369,716 million	¥868,934 million		¥3,156 million	
Account	Other liabilities	Other assets**	Other assets***	Other liabilities	Accrued expenses
Outstanding balance at the end of the fiscal year	¥34,555 million	¥810,000 million	¥3,160 million	¥315 million	¥89 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, 2020.

***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.

Notes: 1. Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

2. In addition to the above transactions, pursuant to the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network, from the fiscal year ended March 31, 2020, of the costs necessary to maintain the post office network, the costs that are indispensable for securing the universal services (except for those incurred by JAPAN POST Co., Ltd.) are covered by the subsidy from the Organization for Postal Savings, Postal Life Insurance and Post Office Network granted to JAPAN POST Co., Ltd. The subsidy has been funded by contributions from the Bank and JAPAN POST INSURANCE Co., Ltd. The contribution made by the Bank for the fiscal year ended March 31, 2020 was ¥237,820 million.

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 Contract for using IT system service
Details of transactions	Payment of IT system service charge*
Transaction amount	¥16,814 million
Account	Accrued expenses
Outstanding balance at the end of the fiscal year	¥1,241 million

Transaction conditions and policies on determining transaction conditions, etc.

*Payment is made for IT system service within JAPAN POST GROUP 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, 2021 and 2020

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, 2021 and 2020 and net income per share for the fiscal years then ended were as follows:

	Yen		U.S. dollars
	2021	2020	2021
Net assets per share	¥3,033.03	¥2,398.98	\$27.39
Net income per share	74.72	72.94	0.67

Notes: 1. Diluted net income per share is not presented since there has been no potential dilution for the fiscal years ended March 31, 2021 and 2020.

2. Net assets per share as of March 31, 2021 and 2020 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net assets	¥11,394,827	¥9,003,256	\$102,925,008
Amounts deducted from net assets	24,739	9,945	223,462
Non-controlling interests	24,739	9,945	223,462
Net assets attributable to common stock at the end of the fiscal year	11,370,088	8,993,310	102,701,545
Number of common stock at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	3,748,753	3,748,792	

3. Net income per share data for the fiscal years ended March 31, 2021 and 2020 was calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net income attributable to owners of parent	¥ 280,130	¥ 273,435	\$2,530,310
Amount not attributable to common shareholders	—	—	—
Net income attributable to owners of parent attributable to common stock	280,130	273,435	2,530,310
Average number of common stock outstanding during the fiscal year (thousand shares)	3,748,730	3,748,764	

4. To calculate net assets per share, the treasury stock deducted from the number of common stock outstanding as of March 31, 2021 and 2020 included 721 thousand shares and 682 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, 2021 and 2020 included 744 thousand shares and 710 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.:

Opinion

We have audited the accompanying consolidated financial statements of JAPAN POST BANK Co., Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the valuation of certain illiquid securities with no readily available market prices	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of the Group as of March 31, 2021, securities of ¥138,204,256 million were recognized, accounting for approximately 61% of the consolidated total assets.</p> <p>As described in Note 22. “Financial instruments” and Note 23. “Fair Value Information”, the Group manages funds raised primarily through deposits by investing them in securities, including Japanese government bonds, Japanese corporate bonds, foreign bonds and investment trusts. Of those securities, available-for-sale securities of ¥110,713,723 million were recognized at their fair value in the Group’s consolidated balance sheet. Included therein were certain illiquid securities with no readily available market prices (such as private placement bonds and securitized products), for which the Group deems reasonably calculated based on prices mainly obtained from third parties including information vendors and brokers, as their fair value. However, as described in “(15) Significant accounting estimates” in Note 2. “Significant Accounting Policies for Preparing of Consolidated Financial Statements,” directly or indirectly observable market inputs such as spreads estimated based on prices of similar securities and unobservable market inputs including significant estimates, are used as key assumptions in the prices obtained from third parties.</p> <p>These key assumptions may be affected by a sudden change in market environment or a distortion in the financial markets that results in, for example, a significant widening of bid-ask spreads or a significant increase in liquidity risk premiums. If alternative assumptions are used, they may have a significant impact on the fair value of these illiquid securities. Accordingly, using the prices obtained from third parties as fair value of certain illiquid securities with no readily available market prices involved significant management judgment, and the use of a price based on unreasonable</p>	<p>The primary procedures we performed to assess whether the valuation of certain illiquid securities with no readily available market prices was reasonable included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Group’s internal controls relevant to the valuation of certain illiquid securities with no readily available market prices. In this assessment, special attention was given to the following controls:</p> <ul style="list-style-type: none"> ● controls to validate the reasonableness of the price to be used as fair value through the comparison with prices obtained from multiple third parties; and ● controls to validate the reasonableness of the price to be used as fair value through the examination of spreads estimated based on prices. <p>(2) Assessment of the reasonableness of fair value</p> <p>For the individually selected illiquid securities with no readily available market prices of which prices varied widely amongst various third parties as well as securitized products, we involved financial instrument valuation specialists from our member network firm and performed the following procedures:</p> <ul style="list-style-type: none"> ● We assessed whether the price used by the Group as fair value was within a reasonable range by comparing it with the prices obtained directly from third parties; and ● We assessed whether the price used by the Group as fair value was within a reasonable range by comparing it with the price independently estimated.

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assumptions may have a significant impact on the consolidated financial statements.

We, therefore, determined that our assessment of the reasonableness of the valuation of certain illiquid securities with no readily available market prices was the most significant areas in our audit of the consolidated financial statements for the current fiscal year, and accordingly, determined a key audit matter.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the executive officers' and directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ MAENO Atsuji

Designated Engagement Partner

Certified Public Accountant

/S/ KANNO Masako

Designated Engagement Partner

Certified Public Accountant

/S/ OKADA Hideki

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 18, 2021

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Non-Consolidated Financial Statements

NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Assets:			
Cash and due from banks:	¥ 60,768,034	¥ 51,663,901	\$ 548,893,813
Cash	303,841	333,373	2,744,477
Due from banks	60,464,192	51,330,528	546,149,336
Call loans	1,390,000	1,040,000	12,555,324
Receivables under resale agreements	9,721,360	9,731,897	87,809,239
Receivables under securities borrowing transactions	—	112,491	—
Monetary claims bought	362,212	315,812	3,271,727
Trading account securities:	13	31	124
Trading Japanese government bonds	13	31	124
Money held in trust	5,547,574	4,549,736	50,109,060
Securities:	138,183,264	135,198,460	1,248,155,219
Japanese government bonds	50,493,477	53,636,113	456,087,777
Japanese local government bonds	5,493,814	5,986,349	49,623,470
Japanese corporate bonds	11,014,949	9,915,227	99,493,718
Other securities	71,181,022	65,660,770	642,950,253
Loans:	4,691,723	4,961,733	42,378,501
Loans on deeds	4,592,100	4,817,573	41,478,641
Overdrafts	99,623	144,159	899,859
Foreign exchanges	80,847	147,469	730,265
Other assets	2,857,518	2,816,117	25,810,841
Tangible fixed assets	197,940	193,752	1,787,918
Intangible fixed assets	47,992	47,114	433,496
Deferred tax assets	—	127,662	—
Reserve for possible loan losses	(935)	(1,031)	(8,450)
Total assets	¥223,847,547	¥210,905,152	\$2,021,927,082

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Liabilities:			
Deposits	¥189,593,469	¥183,004,733	\$1,712,523,432
Payables under repurchase agreements	14,886,481	14,855,624	134,463,743
Payables under securities lending transactions	1,504,543	2,219,384	13,589,954
Borrowed money	3,917,500	10,100	35,385,240
Foreign exchanges	514	511	4,651
Other liabilities	1,535,953	1,596,945	13,873,663
Reserve for bonuses	7,408	7,331	66,914
Reserve for employees' retirement benefits	141,740	141,628	1,280,282
Reserve for employee stock ownership plan trust	535	605	4,838
Reserve for management board benefit trust	303	311	2,744
Reserve for reimbursement of deposits	73,830	80,324	666,877
Deferred tax liabilities	823,134	—	7,435,046
Total liabilities	212,485,414	201,917,500	1,919,297,391
Net assets:			
Capital stock	3,500,000	3,500,000	31,614,126
Capital surplus	4,296,285	4,296,285	38,806,665
Retained earnings	2,749,408	2,563,307	24,834,325
Treasury stock	(1,300,844)	(1,300,881)	(11,750,019)
Total shareholders' equity	9,244,849	9,058,711	83,505,098
Net unrealized gains (losses) on available-for-sale securities	2,487,770	256,880	22,471,053
Net deferred gains (losses) on hedges	(370,486)	(327,940)	(3,346,462)
Total valuation and translation adjustments	2,117,283	(71,060)	19,124,591
Total net assets	11,362,133	8,987,651	102,629,690
Total liabilities and net assets	¥223,847,547	¥210,905,152	\$2,021,927,082

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 ¥110.71 to US\$1.00, the approximate rate of exchange as of March 31, 2021.

NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

For the fiscal years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	
Income:			
Interest income:	¥1,198,278	¥1,318,014	\$10,823,575
Interest on loans	10,186	11,113	92,011
Interest and dividends on securities	1,161,897	1,279,986	10,494,965
Interest on call loans	191	62	1,727
Interest on receivables under resale agreements	(3,675)	(4,663)	(33,201)
Interest on receivables under securities borrowing transactions	331	674	2,998
Interest on deposits with banks	28,031	27,824	253,196
Other interest income	1,315	3,016	11,878
Fees and commissions:	157,376	160,564	1,421,517
Fees and commissions on domestic and foreign exchanges	86,754	82,352	783,618
Other fees and commissions	70,621	78,212	637,898
Other operating income	293,684	212,888	2,652,736
Other income	296,886	107,815	2,681,656
Total income	1,946,224	1,799,283	17,579,485
Expenses:			
Interest expenses:	241,154	346,634	2,178,256
Interest on deposits	38,323	55,096	346,162
Interest on payables under repurchase agreements	13,368	78,877	120,751
Interest on payables under securities lending transactions	6,908	49,605	62,404
Interest on commercial paper	250	614	2,258
Interest on borrowings	1,000	—	9,040
Interest on interest rate swaps	180,581	160,939	1,631,118
Other interest expenses	721	1,500	6,521
Fees and commissions:	29,433	31,673	265,857
Fees and commissions on domestic and foreign exchanges	5,096	4,789	46,038
Other fees and commissions	24,336	26,884	219,818
Other operating expenses	64,484	4,390	582,459
General and administrative expenses	1,008,089	1,018,320	9,105,677
Other expenses	210,302	19,636	1,899,580
Total expenses	1,553,463	1,420,656	14,031,829
Income before income taxes	392,760	378,626	3,547,655
Income taxes:			
Current	124,123	101,266	1,121,160
Deferred	(11,200)	4,315	(101,169)
Total income taxes	112,923	105,581	1,019,990
Net income	¥ 279,837	¥ 273,044	\$ 2,527,664

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 ¥110.71 to US\$1.00, the approximate rate of exchange as of March 31, 2021.

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

For the fiscal years ended March 31, 2021 and 2020

	Millions of yen						
	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			
2021							
Balance at the beginning of the fiscal year	¥3,500,000	¥3,500,000	¥796,285	¥4,296,285	¥2,563,307	¥(1,300,881)	¥9,058,711
Changes during the fiscal year:							
Cash dividends					(93,736)		(93,736)
Net income					279,837		279,837
Repurchase of treasury stock						(295)	(295)
Disposal of treasury stock						332	332
Net changes in items other than shareholders' equity							
Total changes during the fiscal year	—	—	—	—	186,100	36	186,137
Balance at the end of the fiscal year	¥3,500,000	¥3,500,000	¥796,285	¥4,296,285	¥2,749,408	¥(1,300,844)	¥9,244,849

	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	
2021				
Balance at the beginning of the fiscal year	¥ 256,880	¥(327,940)	¥ (71,060)	¥ 8,987,651
Changes during the fiscal year:				
Cash dividends				(93,736)
Net income				279,837
Repurchase of treasury stock				(295)
Disposal of treasury stock				332
Net changes in items other than shareholders' equity	2,230,890	(42,546)	2,188,344	2,188,344
Total changes during the fiscal year	2,230,890	(42,546)	2,188,344	2,374,481
Balance at the end of the fiscal year	¥2,487,770	¥(370,486)	¥2,117,283	¥11,362,133

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		
2020							
Balance at the beginning of the fiscal year	¥3,500,000	¥3,500,000	¥796,285	¥4,296,285	¥2,477,736	¥(1,300,926)	¥8,973,095
Changes during the fiscal year:							
Cash dividends					(187,473)		(187,473)
Net income					273,044		273,044
Repurchase of treasury stock						(358)	(358)
Disposal of treasury stock						404	404
Net changes in items other than shareholders' equity					85,571	45	85,616
Total changes during the fiscal year	—	—	—	—	85,571	45	85,616
Balance at the end of the fiscal year	¥3,500,000	¥3,500,000	¥796,285	¥4,296,285	¥2,563,307	¥(1,300,881)	¥9,058,711

	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	
2020				
Balance at the beginning of the fiscal year	¥ 2,440,064	¥ (62,353)	¥ 2,377,710	¥11,350,806
Changes during the fiscal year:				
Cash dividends				(187,473)
Net income				273,044
Repurchase of treasury stock				(358)
Disposal of treasury stock				404
Net changes in items other than shareholders' equity	(2,183,184)	(265,586)	(2,448,771)	(2,448,771)
Total changes during the fiscal year	(2,183,184)	(265,586)	(2,448,771)	(2,363,154)
Balance at the end of the fiscal year	¥ 256,880	¥(327,940)	¥ (71,060)	¥ 8,987,651

	Thousands of U.S. dollars						
	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		
2021							
Balance at the beginning of the fiscal year	\$31,614,126	\$31,614,126	\$7,192,538	\$38,806,665	\$23,153,349	\$(11,750,350)	\$81,823,791
Changes during the fiscal year:							
Cash dividends					(846,688)		(846,688)
Net income					2,527,664		2,527,664
Repurchase of treasury stock						(2,670)	(2,670)
Disposal of treasury stock						3,002	3,002
Net changes in items other than shareholders' equity					1,680,976	331	1,681,307
Total changes during the fiscal year	—	—	—	—	1,680,976	331	1,681,307
Balance at the end of the fiscal year	\$31,614,126	\$31,614,126	\$7,192,538	\$38,806,665	\$24,834,325	\$(11,750,019)	\$83,505,098

	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	
2021				
Balance at the beginning of the fiscal year	\$ 2,320,297	\$(2,962,159)	\$ (641,861)	\$ 81,181,929
Changes during the fiscal year:				
Cash dividends				(846,688)
Net income				2,527,664
Repurchase of treasury stock				(2,670)
Disposal of treasury stock				3,002
Net changes in items other than shareholders' equity	20,150,755	(384,302)	19,766,453	19,766,453
Total changes during the fiscal year	20,150,755	(384,302)	19,766,453	21,447,761
Balance at the end of the fiscal year	\$22,471,053	\$(3,346,462)	\$19,124,591	\$102,629,690

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 ¥110.71 to US\$1.00, the approximate rate of exchange as of March 31, 2021.

Financial Data (Non-Consolidated)

KEY FINANCIAL INDICATORS

Key Financial Indicators

Fiscal years ended March 31

	Millions of yen	
	2021	2020
Ordinary income	¥ 1,946,224	¥ 1,799,283
Net ordinary income	394,325	379,077
Net income	279,837	273,044
Capital stock	3,500,000	3,500,000
Shares outstanding (thousand shares)	4,500,000	4,500,000
Net assets	11,362,133	8,987,651
Total assets	223,847,547	210,905,152
Deposits	189,593,469	183,004,733
Loans	4,691,723	4,961,733
Securities	138,183,264	135,198,460
Net assets per share (yen)	3,030.90	2,397.47
Dividends per share (yen)	50.00	50.00
[Interim dividends per share] (yen)	[0.00]	[25.00]
Net income per share (yen)	74.64	72.83
Diluted net income per share (yen)	—	—
Capital adequacy ratio (non-consolidated, domestic standard)	15.51%	15.55%
Dividend payout ratio	66.98%	68.64%
Employees	12,408	12,477

Notes: 1. To calculate net assets per share, the treasury stock deducted from the number of common stock outstanding as of the end of the period included treasury stock held by the stock benefit trust. To calculate net income per share, the treasury stock deducted to calculate the average number of outstanding shares for the period included treasury stock held by the stock benefit trust.
 2. Diluted net income per share is not presented since there has been no potential dilution for the fiscal years ended March 31, 2021 and 2020.
 3. 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).
 4. Dividend payout ratio was calculated by dividing dividends per share of common stock by net income per share.
 5. 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	
	2021	2020
Gross operating profit:	¥ 1,319,027	¥ 1,314,210
(Excluding gains (losses) on bonds)	1,345,007	1,306,113
Domestic gross operating profit:	542,246	681,442
(Excluding gains (losses) on bonds)	583,914	677,877
Net interest income	455,698	549,737
Net fees and commissions	127,875	128,540
Net trading income	—	—
Net other operating income (loss)	(41,327)	3,164
(Gains (losses) on bonds)	(41,667)	3,565
Overseas gross operating profit:	776,780	632,767
(Excluding gains (losses) on bonds)	761,093	628,236
Net interest income	506,185	427,083
Net fees and commissions	67	350
Net trading income	—	—
Net other operating income (loss)	270,527	205,333
(Gains (losses) on bonds)	15,687	4,531
General and administrative expenses:	(1,010,175)	(1,020,253)
Personnel expenses	(119,374)	(122,586)
Non-personnel expenses	(834,256)	(844,334)
Taxes and dues	(56,544)	(53,332)
Operating profit (before provision for general reserve for possible loan losses)	308,852	293,956
Core net operating profit	334,832	285,859
(Excluding gains (losses) on cancellation of investment trusts)	285,993	245,830
Provision for general reserve for possible loan losses	—	(13)
Net operating profit:	308,852	293,941
Gains (losses) on bonds	(25,980)	8,097
Non-recurring gains (losses):	85,473	85,135
Gains (losses) related to stocks	(188,480)	11,545
Gains (losses) on money held in trust	272,749	72,838
Other non-recurring gains (losses)	1,204	752
Net ordinary income	394,325	379,077
Extraordinary income (loss):	(1,564)	(450)
Gains (losses) on sales and disposals of fixed assets	(557)	(450)
Losses on impairment of fixed assets	(1,006)	(0)
Income before income taxes	392,760	378,626
Income taxes—current	(124,123)	(101,266)
Income taxes—deferred	11,200	(4,315)
Net income	279,837	273,044
Credit-related expenses:	(23)	(13)
Provision for general reserve for possible loan losses	(23)	(13)
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. Core net operating profit = Operating profit (before provision for general reserve for possible loan losses) – Gains (losses) on bonds
 3. General and administrative expenses exclude non-recurring losses.
 4. Credit-related expenses are those expenses related to problem assets disclosed under the Financial Reconstruction Act.
 5. Numbers in parenthesis indicate the amount of loss or expense.

Gross Operating Profit and Gross Operating Profit Margin

Fiscal years ended March 31

	Millions of yen	
	2021	2020
Gross operating profit	¥1,319,027	¥1,314,210
Gross operating profit margin	0.62%	0.64%

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 Operating Profit, Operating Profit (Before Provision for General Reserve for Possible Loan Losses), Core Net Operating Profit, and Core Net Operating Profit (Excluding Gains (Losses) on Cancellation of Investment Trusts)

Fiscal years ended March 31

	Millions of yen	
	2021	2020
Net operating profit	¥308,852	¥293,941
Operating profit (before provision for general reserve for possible loan losses)	308,852	293,956
Core net operating profit	334,832	285,859
Core net operating profit (excluding gains (losses) on cancellation of investment trusts)	285,993	245,830

Net Interest Income, Net Fees and Commissions, Net Trading Income, and Net Other Operating Income (Loss)

Fiscal years ended March 31

	Millions of yen		
	2021		Total
	Domestic	Overseas	
Net interest income:	¥455,698	¥506,185	¥ 961,884
Interest income	518,305	751,460	1,198,278
Interest expenses	62,606	245,274	236,393
Net fees and commissions:	127,875	67	127,943
Fees and commissions income	156,939	436	157,376
Fees and commissions expenses	29,063	369	29,433
Net trading income:	—	—	—
Trading gains	—	—	—
Trading losses	—	—	—
Net other operating income (loss):	(41,327)	270,527	229,200
Other operating income	3,187	290,497	293,684
Other operating expenses	44,514	19,969	64,484

	Millions of yen		
	2020		Total
	Domestic	Overseas	
Net interest income:	¥549,737	¥427,083	¥ 976,821
Interest income	629,096	789,429	1,318,014
Interest expenses	79,358	362,345	341,193
Net fees and commissions:	128,540	350	128,891
Fees and commissions income	159,951	613	160,564
Fees and commissions expenses	31,410	262	31,673
Net trading income:	—	—	—
Trading gains	—	—	—
Trading losses	—	—	—
Net other operating income (loss):	3,164	205,333	208,497
Other operating income	6,217	206,671	212,888
Other operating expenses	3,052	1,337	4,390

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, 2021, ¥4,760 million; fiscal year ended March 31, 2020, ¥5,441 million).
3. Interest income on "domestic" includes interest on transactions between "domestic" and "overseas" (fiscal year ended March 31, 2021, ¥71,487 million; fiscal year ended March 31, 2020, ¥100,511 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					
	2021			2020		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets:	¥204,928,217	¥518,305	0.25%	¥198,026,308	¥629,096	0.31%
Loans	5,888,523	10,060	0.17	4,947,212	11,056	0.22
Securities	70,330,066	410,942	0.58	71,842,673	492,509	0.68
Due from banks, etc.	56,799,558	29,230	0.05	52,928,370	28,874	0.05
Interest-bearing liabilities:	197,783,193	62,606	0.03	190,695,746	79,358	0.04
Deposits	188,043,501	38,323	0.02	183,018,232	55,096	0.03
Payables under securities lending transactions	155,875	155	0.09	229,198	229	0.10

Overseas

	Millions of yen					
	2021			2020		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets:	¥67,100,563	¥751,460	1.11%	¥63,366,957	¥789,429	1.24%
Loans	23,763	125	0.52	10,868	57	0.52
Securities	66,938,098	750,955	1.12	63,239,883	787,476	1.24
Due from banks, etc.	—	—	—	1,263	29	2.35
Interest-bearing liabilities:	67,508,045	245,274	0.36	63,324,744	362,345	0.57
Payables under securities lending transactions	1,482,339	6,752	0.45	2,240,788	49,376	2.20

Total

	Millions of yen					
	2021			2020		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets:	¥210,430,410	¥1,198,278	0.56%	¥203,590,095	¥1,318,014	0.64%
Loans	5,912,287	10,186	0.17	4,958,081	11,113	0.22
Securities	137,268,164	1,161,897	0.84	135,082,556	1,279,986	0.94
Due from banks, etc.	56,799,558	29,230	0.05	52,929,633	28,904	0.05
Interest-bearing liabilities:	203,692,867	236,393	0.11	196,217,319	341,193	0.17
Deposits	188,043,501	38,323	0.02	183,018,232	55,096	0.03
Payables under securities lending transactions	1,638,214	6,908	0.42	2,469,986	49,605	2.00

- 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, 2021, ¥4,102,197 million; fiscal year ended March 31, 2020, ¥3,129,526 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (fiscal year ended March 31, 2021, ¥4,102,197 million; fiscal year ended March 31, 2020, ¥3,129,526 million) and the corresponding interest (fiscal year ended March 31, 2021, ¥4,760 million; fiscal year ended March 31, 2020, ¥5,441 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					
	2021			2020		
	Balance-related change	Interest-related change	Net change	Balance-related change	Interest-related change	Net change
Interest income:	¥ 21,273	¥(132,064)	¥(110,791)	¥ 12,622	¥(136,351)	¥(123,729)
Loans	1,882	(2,877)	(995)	(2,439)	1,423	(1,016)
Securities	(10,178)	(71,388)	(81,567)	(44,152)	(78,376)	(122,529)
Due from banks, etc.	2,044	(1,688)	356	2,018	(4,048)	(2,030)
Interest expenses:	2,854	(19,606)	(16,751)	2,150	(37,691)	(35,541)
Deposits	1,474	(18,247)	(16,773)	791	(26,528)	(25,737)
Payables under securities lending transactions	(73)	(0)	(73)	(1,762)	978	(783)

Overseas

	Millions of yen					
	2021			2020		
	Balance-related change	Interest-related change	Net change	Balance-related change	Interest-related change	Net change
Interest income:	¥ 44,782	¥ (82,751)	¥ (37,969)	¥51,820	¥37,407	¥89,227
Loans	68	0	68	29	6	36
Securities	44,357	(80,879)	(36,521)	51,653	37,048	88,701
Due from banks, etc.	(29)	—	(29)	(168)	34	(134)
Interest expenses:	22,597	(139,669)	(117,071)	27,754	12,590	40,344
Payables under securities lending transactions	(12,747)	(29,875)	(42,623)	(8,376)	(1,530)	(9,907)

Total

	Millions of yen					
	2021			2020		
	Balance-related change	Interest-related change	Net change	Balance-related change	Interest-related change	Net change
Interest income:	¥ 43,120	¥(162,856)	¥(119,736)	¥ 21,265	¥(61,236)	¥(39,971)
Loans	1,914	(2,841)	(927)	(2,430)	1,450	(979)
Securities	20,418	(138,507)	(118,088)	(15,528)	(18,298)	(33,827)
Due from banks, etc.	2,045	(1,718)	326	2,023	(4,188)	(2,164)
Interest expenses:	12,554	(117,353)	(104,799)	7,188	(7,855)	(666)
Deposits	1,474	(18,247)	(16,773)	791	(26,528)	(25,737)
Payables under securities lending transactions	(12,760)	(29,936)	(42,697)	(65,514)	54,823	(10,691)

- 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			
	2021		2020	
	Amount	%	Amount	%
Personnel expenses:	¥ 117,288	11.63	¥ 120,653	11.84
Salaries and allowances	96,068	9.52	98,694	9.69
Others	21,219	2.10	21,959	2.15
Non-personnel expenses:	834,256	82.75	844,334	82.91
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	366,358	36.34	369,716	36.30
Contributions paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network (Note)	237,439	23.55	237,820	23.35
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	57,436	5.69	59,486	5.84
Rent for land, buildings and others	11,531	1.14	11,956	1.17
Expenses on consigned businesses	67,002	6.64	64,085	6.29
Depreciation and amortization	34,943	3.46	36,146	3.54
Communication and transportation expenses	15,279	1.51	16,886	1.65
Maintenance expenses	13,378	1.32	12,457	1.22
IT expenses	12,914	1.28	16,791	1.64
Others	17,971	1.78	18,986	1.86
Taxes and dues	56,544	5.60	53,332	5.23
Total	¥1,008,089	100.00	¥1,018,320	100.00

Note: The Bank makes payments of contributions to the Organization for Postal Savings, Postal Life Insurance and Post Office Network in accordance with Article 18-3 of the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network.

DEPOSITS

Balances by Type of Deposit

As of March 31

Ending Balances

	Millions of yen			
	2021		2020	
	Amount	%	Amount	%
Liquid deposits:	¥101,309,018	53.43	¥ 87,567,568	47.84
Transfer deposits	9,150,117	4.82	7,712,325	4.21
Ordinary deposits, etc.	91,546,309	48.28	79,346,271	43.35
Savings deposits	612,591	0.32	508,971	0.27
Fixed-term deposits:	88,145,649	46.49	95,298,907	52.07
Time deposits	4,709,291	2.48	5,225,651	2.85
TEIGAKU deposits	83,436,358	44.00	90,073,256	49.21
Other deposits	138,801	0.07	138,256	0.07
Subtotal	189,593,469	100.00	183,004,733	100.00
Negotiable certificates of deposit	—	—	—	—
Total	¥189,593,469	100.00	¥183,004,733	100.00

Fiscal years ended March 31

Average Balances

	Millions of yen			
	2021		2020	
	Amount	%	Amount	%
Liquid deposits:	¥ 96,053,067	51.08	¥ 84,703,007	46.28
Transfer deposits	8,686,730	4.61	7,706,034	4.21
Ordinary deposits, etc.	86,803,482	46.16	76,527,985	41.81
Savings deposits	562,854	0.29	468,987	0.25
Fixed-term deposits:	91,763,655	48.79	98,087,845	53.59
Time deposits	4,940,369	2.62	6,208,331	3.39
TEIGAKU deposits	86,823,285	46.17	91,879,514	50.20
Other deposits	226,778	0.12	227,378	0.12
Subtotal	188,043,501	100.00	183,018,232	100.00
Negotiable certificates of deposit	—	—	—	—
Total	¥188,043,501	100.00	¥183,018,232	100.00

Time Deposits by Time to Maturity

As of March 31

		Millions of yen	
		2021	2020
Less than three months	Time deposits:	¥1,443,083	¥1,700,029
	Fixed interest rates	1,443,083	1,700,029
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Three and < six months	Time deposits:	953,518	1,058,122
	Fixed interest rates	953,518	1,058,122
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Six months and < one year	Time deposits:	1,813,541	1,954,446
	Fixed interest rates	1,813,541	1,954,446
	Floating interest rates	—	—
	Other time deposits	—	—
≥ One and < two years	Time deposits:	168,008	212,019
	Fixed interest rates	168,008	212,019
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Two and < three years	Time deposits:	165,987	144,115
	Fixed interest rates	165,987	144,115
	Floating interest rates	—	—
	Other time deposits	—	—
Three years or more	Time deposits:	165,151	156,917
	Fixed interest rates	165,151	156,917
	Floating interest rates	—	—
	Other time deposits	—	—
Total	Time deposits:	¥4,709,291	¥5,225,651
	Fixed interest rates	4,709,291	5,225,651
	Floating interest rates	—	—
	Other time deposits	—	—

TEIGAKU Deposits by Time to Maturity

As of March 31

		Millions of yen	
		2021	2020
Less than one year		¥11,978,486	¥13,458,783
≥ One and < three years		10,752,458	14,660,631
≥ Three and < five years		11,523,210	13,087,421
≥ Five and < seven years		21,295,472	15,125,567
Seven years or more		27,886,729	33,740,852
Total		¥83,436,358	¥90,073,256

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	
	2021	2020
Domestic:		
Loans on notes	—	—
Loans on deeds	¥4,566,528	¥4,798,252
Overdrafts	99,623	144,159
Notes discounted	—	—
Subtotal	4,666,152	4,942,412
Overseas:		
Loans on notes	—	—
Loans on deeds	25,571	19,321
Overdrafts	—	—
Notes discounted	—	—
Subtotal	25,571	19,321
Total	¥4,691,723	¥4,961,733

Fiscal years ended March 31

Average Balances

	Millions of yen	
	2021	2020
Domestic:		
Loans on notes	—	—
Loans on deeds	¥5,781,276	¥4,779,394
Overdrafts	107,247	167,817
Notes discounted	—	—
Subtotal	5,888,523	4,947,212
Overseas:		
Loans on notes	—	—
Loans on deeds	23,763	10,868
Overdrafts	—	—
Notes discounted	—	—
Subtotal	23,763	10,868
Total	¥5,912,287	¥4,958,081

Loans by Time to Maturity

As of March 31

	Loans:	Millions of yen	
		2021	2020
One year or less		¥2,278,639	¥2,995,519
	Floating interest rates	/	/
	Fixed interest rates	/	/
> One and ≤ three years		472,875	350,112
	Floating interest rates	135,746	79,873
	Fixed interest rates	337,128	270,239
> Three and ≤ five years		527,795	351,031
	Floating interest rates	108,264	24,893
	Fixed interest rates	419,531	326,138
> Five and ≤ seven years		172,897	298,005
	Floating interest rates	10,444	8,079
	Fixed interest rates	162,453	289,925
> Seven and ≤ ten years		493,195	373,169
	Floating interest rates	11,943	2,250
	Fixed interest rates	481,251	370,919
Over ten years		746,320	593,894
	Floating interest rates	14,958	11,784
	Fixed interest rates	731,361	582,110
No designated term		—	—
	Floating interest rates	—	—
	Fixed interest rates	—	—
Total		¥4,691,723	¥4,961,733

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	
	2021	2020
Securities	¥ —	¥ 11
Receivables	95,165	139,357
Merchandise	—	—
Real estate	—	—
Others	—	—
Subtotal	95,165	139,369
Guarantees	28,270	30,646
Credit	4,568,287	4,791,717
Total	¥4,691,723	¥4,961,733

Acceptances and Guarantees by Type of Collateral

	Millions of yen	
	2021	2020
Securities	—	—
Receivables	—	—
Merchandise	—	—
Real estate	—	—
Others	—	—
Subtotal	—	—
Guarantees	—	—
Credit	—	—
Total	—	—

Loans by Purpose

	Millions of yen			
	2021		2020	
	Amount	%	Amount	%
Funds for capital investment	¥ 24,608	0.52	¥ 8,089	0.16
Funds for working capital	4,667,114	99.47	4,953,644	99.83
Total	¥4,691,723	100.00	¥4,961,733	100.00

Loans by Industry

	Millions of yen			
	2021		2020	
	Amount	%	Amount	%
Domestic (excluding Japan Offshore Market accounts)	¥4,666,152	100.00	¥4,942,412	100.00
Agriculture, forestry, fisheries, and mining	—	—	—	—
Manufacturing	81,669	1.75	43,524	0.88
Utilities, information/communications, and transportation	137,714	2.95	108,064	2.18
Wholesale and retail	34,255	0.73	31,155	0.63
Finance and insurance	739,510	15.84	773,676	15.65
Construction and real estate	63,184	1.35	12,983	0.26
Services and goods rental/leasing	84,214	1.80	48,437	0.98
Central and local governments	3,428,219	73.46	3,782,410	76.52
Others	97,383	2.08	142,159	2.87
Overseas and Japan Offshore Market accounts	25,571	100.00	19,321	100.00
Governments	—	—	—	—
Others	25,571	100.00	19,321	100.00
Total	¥4,691,723		¥4,961,733	

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 ¥340,563 million and ¥439,734 million as of March 31, 2021 and March 31, 2020, respectively.

Loans to Individuals and Small and Medium-size Enterprises

	Millions of yen	
	2021	2020
Total loans (A)	¥4,691,723	¥4,961,733
Loans to individuals and small and medium-size enterprises (B)	99,623	144,159
(B)/(A)	2.12%	2.90%

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

	Millions of yen	
	2021	2020
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

	Millions of yen	
	2021	2020
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	¥4,774,980	5,111,652
Total (B)	¥4,774,980	¥5,111,652
Non-performing loan ratio (A)/(B)	—	0.00%

Reserve for Possible Loan Losses

	Millions of yen			
	2021			
	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	¥ 258	¥280	¥ 258	¥280
Specific reserve for possible loan losses	772	655	772	655
Total	¥1,031	¥935	¥1,031	¥935

	Millions of yen			
	2020			
	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	¥243	¥ 258	¥243	¥ 258
Specific reserve for possible loan losses	715	772	715	772
Total	¥958	¥1,031	¥958	¥1,031

SECURITIES

Average Balance by Type of Trading Book Securities

Fiscal years ended March 31

	Millions of yen	
	2021	2020
Trading book Japanese government bonds	¥27	¥37
Trading book Japanese local government bonds	—	—
Trading book government guaranteed bonds	—	—
Other trading book securities	—	—
Total	¥27	¥37

Securities by Time to Maturity

As of March 31

	Millions of yen							
	2021							
	One year or less	> One and ≤ three years	> Three and ≤ five years	> Five and ≤ seven years	> Seven and ≤ ten years	Over ten years	No designated term	Total
Japanese government bonds	¥ 8,649,610	¥20,250,996	¥1,363,240	¥ 4,479,727	¥ 4,786,847	¥10,963,054	¥ —	¥ 50,493,477
Japanese local government bonds	740,045	1,571,253	1,430,374	784,542	967,598	—	—	5,493,814
Japanese corporate bonds	2,880,054	2,414,872	1,940,009	1,448,959	1,044,624	1,286,428	—	11,014,949
Other securities:	2,817,159	5,366,470	4,137,454	3,329,780	3,545,199	6,622,653	45,362,304	71,181,022
Foreign bonds	2,816,908	5,365,773	4,133,086	3,311,025	2,553,306	5,325,015	—	23,505,116
Investment trusts	—	—	—	—	946,477	1,296,161	45,348,548	47,591,186
Foreign stocks	—	—	—	—	—	—	—	—
Total	¥15,086,869	¥29,603,593	¥8,871,079	¥10,043,009	¥10,344,270	¥18,872,136	¥45,362,304	¥138,183,264

	Millions of yen							
	2020							
	One year or less	> One and ≤ three years	> Three and ≤ five years	> Five and ≤ seven years	> Seven and ≤ ten years	Over ten years	No designated term	Total
Japanese government bonds	¥ 7,636,911	¥22,475,554	¥ 6,803,085	¥3,429,578	¥ 4,623,542	¥ 8,667,440	¥ —	¥ 53,636,113
Japanese local government bonds	1,194,461	1,496,337	1,550,490	699,463	1,045,596	—	—	5,986,349
Japanese corporate bonds	2,101,227	2,041,449	2,181,224	978,859	1,321,931	1,290,534	—	9,915,227
Other securities:	3,711,361	4,959,530	5,329,022	1,727,217	3,418,188	6,303,530	40,211,918	65,660,770
Foreign bonds	3,711,361	4,959,131	5,326,856	1,710,567	2,599,359	5,399,594	—	23,706,870
Investment trusts	—	—	—	—	788,417	903,936	40,208,662	41,901,017
Foreign stocks	—	—	—	—	—	—	—	—
Total	¥14,643,961	¥30,972,871	¥15,863,822	¥6,835,119	¥10,409,259	¥16,261,505	¥40,211,918	¥135,198,460

Balance by Type of Securities

As of March 31

Ending Balances

	Millions of yen	
	2021	2020
Domestic:		
Japanese government bonds	¥ 50,493,477	¥ 53,636,113
Japanese local government bonds	5,493,814	5,986,349
Japanese corporate bonds	11,014,949	9,915,227
Other securities	632,508	1,691,087
Subtotal	67,634,749	71,228,777
Overseas:		
Other securities:	70,548,514	63,969,682
Foreign bonds	23,505,116	23,706,870
Investment trusts	47,040,783	40,261,287
Foreign stocks	—	—
Subtotal	70,548,514	63,969,682
Total	¥138,183,264	¥135,198,460

Fiscal years ended March 31

Average Balances

	Millions of yen	
	2021	2020
Domestic:		
Japanese government bonds	¥ 52,505,182	¥ 54,702,343
Japanese local government bonds	5,687,442	6,210,203
Japanese corporate bonds	10,628,115	9,867,257
Other securities	1,509,325	1,062,868
Subtotal	70,330,066	71,842,673
Overseas:		
Other securities:	66,938,098	63,239,883
Foreign bonds	22,313,823	22,339,153
Investment trusts	44,622,132	40,898,861
Foreign stocks	—	—
Subtotal	66,938,098	63,239,883
Total	¥137,268,164	¥135,082,556

Asset Management Status

As of March 31

	Millions of yen			
	2021		2020	
	Outstanding assets	%	Outstanding assets	%
Due from banks, etc.	¥ 60,667,097	27.50	¥ 51,485,414	24.80
Call loans	1,390,000	0.63	1,040,000	0.50
Receivables under resale agreements	9,721,360	4.40	9,731,897	4.68
Receivables under securities borrowing transactions	—	—	112,491	0.05
Money held in trust	5,547,574	2.51	4,549,736	2.19
Securities:	138,183,264	62.64	135,198,460	65.14
Japanese government bonds	50,493,477	22.88	53,636,113	25.84
Japanese local government bonds	5,493,814	2.49	5,986,349	2.88
Japanese corporate bonds	11,014,949	4.99	9,915,227	4.77
Other securities:	71,181,022	32.26	65,660,770	31.64
Foreign bonds	23,505,116	10.65	23,706,870	11.42
Investment trusts	47,591,186	21.57	41,901,017	20.19
Loans	4,691,723	2.12	4,961,733	2.39
Others	394,410	0.17	439,879	0.21
Total	¥220,595,431	100.00	¥207,519,613	100.00

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			
	2021		2020	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥ 3,922,700	16.68	¥ 5,086,432	21.45
U.S. dollar	15,474,801	65.83	15,461,957	65.22
Euro	3,211,662	13.66	2,661,777	11.22
Others	895,951	3.81	496,702	2.09
Total	¥23,505,116	100.00	¥23,706,870	100.00

Money Held in Trust

As of March 31

Assets by Type

	Millions of yen			
	2021		2020	
	Outstanding assets	%	Outstanding assets	%
Domestic stocks	¥2,261,772	44.29	¥1,859,682	43.07
Domestic bonds	1,545,190	30.26	1,419,008	32.86
Others	1,299,148	25.44	1,038,853	24.06
Total	¥5,106,111	100.00	¥4,317,545	100.00

Assets by Currency

	Millions of yen			
	2021		2020	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥5,105,922	99.99	¥4,311,553	99.86
U.S. dollar	189	0.00	5,991	0.13
Euro	—	—	0	0.00
Others	—	—	—	—
Total	¥5,106,111	100.00	¥4,317,545	100.00

Securitized Product Exposure

As of March 31, 2021 and March 31, 2020, 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)	¥1,354,370	¥19,045	AAA
	Subprime loan related	—	—	—
	Collateralized loan obligations (CLO)	—	—	—
	Other securitized products	225,448	33	AAA
	Commercial mortgage-backed securities (CMBS)	—	—	—
	Collateralized debt obligations (CDO)	870	28	AAA
	Subtotal	1,580,689	19,106	
Overseas	Residential mortgage-backed securities (RMBS)	54,999	3,897	AAA
	Subprime loan related	—	—	—
	Collateralized loan obligations (CLO)	2,036,348	36,013	AAA
	Subtotal	2,091,347	39,911	
Total		¥3,672,037	¥59,017	

Region		Millions of yen		
		Acquisition cost	2020 Net unrealized gains (losses)	Credit ratings
Domestic	Residential mortgage-backed securities (RMBS)	¥1,359,705	¥ 28,113	AAA
	Subprime loan related	—	—	—
	Collateralized loan obligations (CLO)	—	—	—
	Other securitized products	173,975	(205)	AAA
	Commercial mortgage-backed securities (CMBS)	—	—	—
	Collateralized debt obligations (CDO)	1,018	37	AAA
	Subtotal	1,534,699	27,945	
Overseas	Residential mortgage-backed securities (RMBS)	38,546	(9,390)	AAA
	Subprime loan related	—	—	—
	Collateralized loan obligations (CLO)	1,767,354	(121,935)	AAA
	Subtotal	1,805,900	(131,326)	
Total		¥3,340,600	¥(103,380)	

Notes: 1. The underlying assets provided are only those from multiple debtors comprising securitized products.
2. The above table does not include securitized products that might be included in investment trusts. The same shall apply hereinafter.
3. Net unrealized gains (losses) do not reflect the effect of foreign exchange hedging. No hedging activities against credit risks were made.
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. Net unrealized gains (losses) on the overseas CLO including foreign exchange hedging were ¥1,916 million as of March 31, 2021, compared with ¥(104,557) million as of March 31, 2020 (reference value calculated on management accounting basis).

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

	%	
	2021	2020
Net ordinary income to assets	0.18	0.18
Net ordinary income to equity	3.87	3.72

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

	%	
	2021	2020
Net income to assets (ROA)	0.12	0.13
Net income to equity (ROE)	2.75	2.68

Notes: 1. ROA = net income / [(sum of total assets at the beginning and the end of the fiscal year) / 2] x 100
2. ROE = net income / [(sum of total net assets at the beginning and the end of the fiscal year) / 2] x 100

Overhead Ratio

Fiscal years ended March 31

	%	
	2021	2020
Overhead ratio (OHR)	76.58	77.63

Note: OHR = [general and administrative expenses (excluding non-recurring expenses) / gross operating profit] x 100

Interest Rate Spread

Fiscal years ended March 31

	%	
	2021	2020
Domestic:		
Yield on interest-earning assets	0.25	0.31
Interest rate on interest-bearing liabilities	0.03	0.04
Interest rate spread	0.22	0.27
Overseas:		
Yield on interest-earning assets	1.11	1.24
Interest rate on interest-bearing liabilities	0.36	0.57
Interest rate spread	0.75	0.67
Total:		
Yield on interest-earning assets	0.56	0.64
Interest rate on interest-bearing liabilities	0.11	0.17
Interest rate spread	0.45	0.47

Loan-Deposit Ratio

As of March 31

	Millions of yen		
	2021		
	Domestic	Overseas	Total
Loans (A)	¥ 4,666,152	¥25,571	¥ 4,691,723
Deposits (B)	189,593,469	—	189,593,469
Loan-deposit ratio (A)/(B)	2.46%	—	2.47%
Loan-deposit ratio (average for the fiscal year)	3.13%	—	3.14%

	Millions of yen		
	2020		
	Domestic	Overseas	Total
Loans (A)	¥ 4,942,412	¥19,321	¥ 4,961,733
Deposits (B)	183,004,733	—	183,004,733
Loan-deposit ratio (A)/(B)	2.70%	—	2.71%
Loan-deposit ratio (average for the fiscal year)	2.70%	—	2.70%

Security-Deposit Ratio

As of March 31

	Millions of yen		
	2021		
	Domestic	Overseas	Total
Securities (A)	¥ 67,634,749	¥70,548,514	¥138,183,264
Deposits (B)	189,593,469	—	189,593,469
Security-deposit ratio (A)/(B)	35.67%	—	72.88%
Security-deposit ratio (average for the fiscal year)	37.40%	—	72.99%

	Millions of yen		
	2020		
	Domestic	Overseas	Total
Securities (A)	¥ 71,228,777	¥63,969,682	¥135,198,460
Deposits (B)	183,004,733	—	183,004,733
Security-deposit ratio (A)/(B)	38.92%	—	73.87%
Security-deposit ratio (average for the fiscal year)	39.25%	—	73.80%

OTHERS

Over-the-Counter Sales of Japanese Government Bonds

Fiscal years ended March 31

	Millions of yen	
	2021	2020
	Long-term bonds	¥ 1,071
Medium-term bonds	0	0
Bonds for individuals	61,306	61,417
Total	¥62,377	¥61,417

Domestic Exchanges

Fiscal years ended March 31

Remittances

	Millions of yen			
	2021		2020	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Sent	37,802	¥32,622,794	35,061	¥30,808,610
Received	144,924	33,080,173	120,207	29,582,167

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

CAPITAL POSITION

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

As of March 31

		Millions of yen	
		2021	2020
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	¥9,057,375	¥8,964,975
	of which: Capital and capital surplus	7,796,285	7,796,285
	of which: Retained earnings	2,749,408	2,563,307
	of which: Treasury stock (deduction)	1,300,844	1,300,881
	of which: Cash dividends to be paid (deduction)	187,473	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	280	258
	of which: General reserve for possible loan losses	280	258
	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	—	—
	Core Capital: instruments and reserves (A)	9,057,656	8,965,233
Core Capital: regulatory adjustments	Total intangible fixed assets (net of related tax liability, excluding those relating to mortgage servicing rights)	33,294	32,685
	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)	33,294	32,685
	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)	—	—
	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	
		2021	2020
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)	33,294	32,685
	Total capital	Total capital (A)–(B)=(C)	¥ 9,024,361
Risk-weighted assets	Credit risk-weighted assets	¥55,604,917	¥54,775,080
	of which: Total of items included in risk-weighted assets subject to transitional arrangements	—	—
	of which: Other Financial Institutions Exposures	—	—
	of which: Other than the above	—	—
	Market risk equivalent / 8%	—	—
	Operational risk equivalent / 8%	2,552,200	2,632,196
	Credit risk-weighted assets adjustments	—	—
	Operational risk equivalent adjustments	—	—
	Total amount of risk-weighted assets (D)	¥58,157,118	¥57,407,276
	Capital adequacy ratio	Capital adequacy ratio (C)/(D) (%)	15.51

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 750,524,980 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 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	
	2021	2020
(1) Capital requirement for credit risk:	¥ 504,716	¥ 480,277
Portfolios applying the standardized approach	481,889	460,443
Securitization exposures	19,654	17,062
CVA risk equivalent	2,586	2,716
Central Counterparty-related exposures	586	55
(2) Capital requirement for credit risk of exposures relating to funds	1,719,479	1,710,725
(3) Capital requirement for market risk:	—	—
(4) Capital requirement for operational risk:	102,088	105,287
The basic indicator approach	102,088	105,287
Total capital requirements (1) + (2) + (3) + (4)	¥2,326,284	¥2,296,291

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	
		2021	2020
1 Cash	0	¥ 0	¥ 0
2 Japanese government and the Bank of Japan	0	0	0
3 Foreign central governments and central banks	0-100	8,108	8,061
4 Bank for International Settlements, etc.	0	—	—
5 Non-central government public sector entities	0	0	0
6 Foreign non-central government public sector entities	20-100	13,859	9,295
7 Multilateral Development Banks	0-100	0	0
8 Japan Finance Organization for Municipalities	10-20	2,720	2,734
9 Japanese government agencies	10-20	10,608	11,598
10 Three regional public corporations	20	516	540
11 Financial institutions and Type I Financial Instruments Business Operators	20-100	72,097	79,004
12 Corporates	20-100	269,910	246,067
13 Small and medium-size enterprises and individuals	75	—	—
14 Mortgage loans	35	—	—
15 Project finance (acquisition of real estate)	100	—	0
16 Past-due loans (three months or more)	50-150	0	0
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	543	123
Exposure to investments, etc.	100	543	123
Exposure to critical investments	1250	—	—
21 Other than above	100-250	48,516	49,700
Exposures to fund procurement methods by other financial institutions, etc., other than those corresponding to common shares, other TLAC liabilities, etc.	250	27,662	30,167
Exposures to specific items that are not included in adjustment items	250	12,237	11,090
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	8,616	8,442
22 Securitization transactions	—	19,619	17,021
Compliant with STC criteria	—	—	—
Non-compliant with STC criteria	—	19,619	17,021
23 Re-securitization transactions	—	34	40
24 Exposures relating to funds	—	1,719,479	1,710,725
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	—	—	—
Total	—	¥2,166,014	¥2,134,913

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	
		2021	2020
1 Commitments cancelable automatically or unconditionally at any time	0	¥ 0	¥ 0
2 Commitments with an original maturity up to one year	20	466	80
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	335	277
7 Contingent liabilities arising from directly substituted credit	100	16,622	16,588
(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	12,982	13,048
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	35,860	34,562
11 Derivative transactions and long-settlement transactions	—	1,724	1,810
Current exposure method	—	1,724	1,810
Derivative transactions	—	1,724	1,810
(1) Foreign exchange-related transactions	—	4,456	4,931
(2) Interest rate-related transactions	—	410	489
(3) Gold-related transactions	—	—	—
(4) Equity-related transactions	—	—	22
(5) Precious metal-related transactions (excluding gold)	—	—	—
(6) Other commodity-related transactions	—	—	—
(7) Credit derivative transactions (counterparty risk)	—	1	18
Write-off of credit equivalent amounts under master netting agreement (deduction)	—	3,144	3,650
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	—	¥55,009	¥53,318

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 98–100 (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

Region	Industry	Millions of yen					Total	Past due loans for three months or more
		Loans, deposits, etc.	Securities	Derivatives	Others	2021		
Domestic	Agriculture, forestry, fisheries, and mining	—	—	—	—	—	—	—
	Manufacturing	¥ 105,688	¥ 1,532,239	—	¥ 1,120	¥ 1,639,048	—	—
	Utilities, information/communications, and transportation	953,353	3,714,700	—	27,839	4,695,893	—	—
	Wholesale and retail	138,370	462,248	—	10	600,629	—	—
	Finance and insurance	92,642,995 (377,287)	5,267,190	¥100,626	31,238	98,042,051 (377,287)	—	—
	Construction and real estate	117,199	207,375	—	5	324,580	—	—
	Services and goods rental/leasing	90,248	1,065,307	—	60,128	1,215,684	—	—
	Central and local governments	3,770,218	56,054,219	—	20,035	59,844,474	—	—
	Others	440,303	10,505	—	423,470	874,279	¥0	—
	Total	98,258,379 (377,287)	68,313,787	100,626	563,848	167,236,641 (377,287)	0	—
Foreign	Sovereigns	7,000	8,137,517	—	254	8,144,772	—	—
	Financial institutions	3,061,051	4,765,244	140,215	45	7,966,556	—	—
	Others	3,246,350	5,772,426	2,632	81	9,021,490	—	—
	Total	6,314,401	18,675,188	142,847	381	25,132,819	—	—
Investment trust, etc.		4,765,748	47,883,913	—	—	52,649,662	—	—
Grand total		¥109,338,529 (377,287)	¥134,872,890	¥243,473	¥564,229	¥245,019,122 (377,287)	¥0	—

		Millions of yen					
		2020					Past due loans for three months or more
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total	
Domestic	Agriculture, forestry, fisheries, and mining	—	—	—	—	—	—
	Manufacturing	¥ 83,526	¥ 1,296,401	—	¥ 515	¥ 1,380,444	—
	Utilities, information/communications, and transportation	921,456	3,337,277	—	14,742	4,273,476	—
	Wholesale and retail	137,269	295,899	—	4	433,174	—
	Finance and insurance	77,940,298 (456,254)	5,391,130	¥123,123	31,571	83,486,124 (456,254)	—
	Construction and real estate	61,984	230,202	—	7	292,194	—
	Services and goods rental/leasing	53,221	694,494	—	74,359	822,076	—
	Central and local governments	4,223,723	59,538,487	—	18,068	63,780,279	—
	Others	508,406	5	—	428,556	936,968	¥1
	Total	83,929,888 (456,254)	70,783,899	123,123	567,827	155,404,739 (456,254)	1
Foreign	Sovereigns	7,000	8,445,572	—	404	8,452,976	—
	Financial institutions	3,534,939	5,544,952	180,265	1,217	9,261,375	—
	Others	3,388,233	5,599,690	9,548	177	8,997,649	—
Total	6,930,173	19,590,215	189,813	1,798	26,712,001	—	
Investment trust, etc.	4,215,973	44,906,802	—	—	49,122,776	—	
Grand total	¥95,076,035 (456,254)	¥135,280,917	¥312,937	¥569,626	¥231,239,516 (456,254)	¥1	

- 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 foreign exchange forward contracts and interest rate swaps, etc.
4. "Past-due loans for three months or more" means the payment of principal or interest is past due three months or more from the day following the scheduled payment date.
5. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
6. Investment trusts and other funds are recorded in investment trust, etc.

As of March 31

Exposure by Time to Maturity

		Millions of yen				
		2021				
Time to maturity		Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less		¥ 39,348,540 (377,287)	¥ 15,157,597	¥ 6,796	¥ 65,086	¥ 54,578,020 (377,287)
> One and ≤ three years		928,049	29,191,869	106,042	—	30,225,960
> Three and ≤ five years		808,954	8,507,740	123,930	43	9,440,669
> Five and ≤ seven years		222,664	9,767,176	6,704	—	9,996,545
> Seven and ≤ ten years		493,195	8,884,557	—	—	9,377,752
Over ten years		746,928	15,466,278	—	—	16,213,207
No designated term		62,024,448	13,755	—	499,099	62,537,303
Investment trust, etc.		4,765,748	47,883,913	—	—	52,649,662
Total		¥109,338,529 (377,287)	¥134,872,890	¥243,473	¥564,229	¥245,019,122 (377,287)

		Millions of yen				
		2020				
Time to maturity		Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less		¥35,105,152 (456,254)	¥ 14,711,280	¥ 27,323	¥ 56,880	¥ 49,900,636 (456,254)
> One and ≤ three years		876,957	30,850,788	108,318	—	31,836,063
> Three and ≤ five years		675,821	15,592,948	126,174	38	16,394,983
> Five and ≤ seven years		485,879	6,724,258	44,872	—	7,255,010
> Seven and ≤ ten years		373,256	9,245,149	6,247	—	9,624,653
Over ten years		594,552	13,246,434	—	—	13,840,986
No designated term		52,748,441	3,255	—	512,707	53,264,405
Investment trust, etc.		4,215,973	44,906,802	—	—	49,122,776
Total		¥95,076,035 (456,254)	¥135,280,917	¥312,937	¥569,626	¥231,239,516 (456,254)

- 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 foreign currency swaps and interest rate swaps, etc.
4. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
5. 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, 2021 and 2020.

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	
		2021	2020
General reserve for possible loan losses		¥161	¥137
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	
		2021	2020
General reserve for possible loan losses		¥23	¥13
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 177.

By Industry

Balance at the end of the fiscal year

As of March 31

	Millions of yen	
	2021	2020
General reserve for possible loan losses	¥161	¥137
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	
	2021	2020
General reserve for possible loan losses	¥23	¥13
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 177.

Exposure by Risk Weight Classification

As of March 31

Risk weight	Millions of yen			
	2021		2020	
	Rated	Not rated	Rated	Not rated
0%	¥126,777,336	¥32,332,048	¥117,216,572	¥33,610,785
2%	—	653,415	—	68,913
4%	—	—	—	—
10%	267,093	3,332,155	424,600	3,583,187
20%	18,844,568	64,587	17,898,048	67,549
35%	—	—	—	—
50%	6,131,991	—	5,608,469	—
75%	—	—	—	—
100%	2,218,218	1,624,421	2,058,669	1,623,622
150%	—	—	—	—
250%	91,004	307,994	121,068	291,505
1250%	—	—	—	—
Others	—	101,911	—	—
Investment trust, etc.	—	52,649,662	—	49,122,776
Total	¥154,330,213	¥91,066,196	¥143,327,429	¥88,368,341

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. "Others" includes clearing funds contributed to a qualifying central counterparty.
5. Investment trusts and other funds are recorded in investment trust, etc. The weighted average of risk weights was 81.64% as of March 31, 2021 (compared with 87.06% as of March 31, 2020).

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 acquisition 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 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 country regarding the transactions 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			
	2021		2020	
	Exposure	%	Exposure	%
Eligible financial collateral	¥24,748,981	91.22	¥25,948,543	91.89
Guarantees and credit derivatives	2,379,347	8.77	2,288,216	8.10
Total	¥27,128,329	100.00	¥28,236,760	100.00

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. Excludes exposure in funds included in 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.

Credit Equivalent Amounts of Derivative Transactions and Long-Settlement Transactions

As of March 31

	Millions of yen	
	2021	2020
Gross replacement costs	¥112,433	¥331,310
Gross add-on amounts	601,661	538,649
Gross credit equivalents	714,094	869,959
Currency-related transactions	559,254	669,742
Interest rate-related transactions	154,635	195,115
Equity-related transactions	—	2,844
Credit derivative transactions (counterparty risk)	201	2,255
Long-settlement transactions	3	—
Write-off of credit equivalent amount due to netting (deduction)	470,617	557,022
Net credit equivalents	243,476	312,937
Collateral held	4,488	89,147
Marketable securities	4,488	67,909
Cash	—	21,237
Net credit equivalent amounts (after considering credit risk mitigation benefits due to collateral)	243,476	312,937

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	
	2021	2020
Total return swap	¥33,584	¥46,253
Protection purchased	33,584	46,253
Used for credit risk mitigation	31,729	1,613
Protection provided	—	—

Note: Excludes credit derivatives included in 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 Securitization Transactions

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	
	2021	2020
Mortgage loans	¥ 198,143	¥ 183,748
Auto loans	182,148	144,032
Leases	4,484	2,687
Accounts receivable	38,818	27,260
Corporate loans	2,043,193	1,780,161
Others	—	—
Total	¥2,466,789	¥2,137,890

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	
	2021	2020
Mortgage loans	¥870	¥1,018
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	—	—
Others	—	—
Total	¥870	¥1,018

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			
	2021		2020	
	Balance	Capital requirements	Balance	Capital requirements
≥15% and ≤20%	¥2,466,789	¥19,619	¥2,137,890	¥17,021
>20% and ≤45%	—	—	—	—
>45% and ≤70%	—	—	—	—
>70% and ≤140%	—	—	—	—
>140% and ≤225%	—	—	—	—
>225% and ≤420%	—	—	—	—
>420% and <1250%	—	—	—	—
1250%	—	—	—	—
Total	¥2,466,789	¥19,619	¥2,137,890	¥17,021

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			
	2021		2020	
	Balance	Capital requirements	Balance	Capital requirements
100%	¥870	¥34	¥1,018	¥40
>100% and <1250%	—	—	—	—
1250%	—	—	—	—
Total	¥870	¥34	¥1,018	¥40

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 Standard for Financial Instruments" (ASBJ statement No. 10), 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 101 (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 96–97) and Credit Risk Management (Pages 98–100).

1. Balance Sheet Amounts and Fair Values

As of March 31

	Millions of yen			
	2021		2020	
	Balance sheet amount	Fair value	Balance sheet amount	Fair value
Exposure to listed equities, etc. (Note 1)	—	—	—	—
Exposure to investments or equities, etc., other than above (Note 2)	¥13,576	/	¥3,076	/
Total	¥13,576	/	¥3,076	/

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	
	2021	2020
Gains (Losses):	—	¥6,275
Gains	—	8,143
Losses	—	1,868
Write-offs	—	—

Note: The gains and losses in the above table are recorded as gains (losses) on sales of stock, etc., on the statements of income.

3. Unrealized Gains (Losses) Recognized on the Balance Sheets But Not on the Statements of Income

As of March 31

	Millions of yen	
	2021	2020
Unrealized gains (losses) recognized on the balance sheets but not on the statements of income	—	—

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	
	2021	2020
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			
	2021		2020	
	Balance	Capital requirements	Balance	Capital requirements
Exposures where fund components are identifiable (look-through approach) (note 3)	¥52,531,646	¥1,689,008	¥49,005,661	¥1,669,873
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)	61,535	6,153	37,859	3,785
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)	11,535	1,845	7,534	1,205
Exposures not included in any categories above (Fall-back approach) (note 6)	44,944	22,472	71,721	35,860
Total	¥52,649,662	¥1,719,479	¥49,122,776	¥1,710,725

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, as well as Δ EVE (measuring amount of decreased economic value of equity, based on interest rate shocks listed in disclosed notifications) and Δ NII (measuring amount of decreased net interest income for the measurement period in response to an interest rate shock (12-month period from the calculation base date), based on interest rate shocks listed in disclosed notifications) both 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 96–97 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

Item No.		Millions of yen			
		Δ EVE		Δ NII	
		A 2021	B 2020	C 2021	D 2020
1	Upward parallel shift	¥ 567,767	¥ 100,586	¥254,339	¥175,255
2	Downward parallel shift	2,274,001	2,420,055	(4,553)	(46,356)
3	Steeper	/	/	/	/
4	Flattener	/	/	/	/
5	Short-term interest rate up	/	/	/	/
6	Short-term interest rate down	/	/	/	/
7	Maximum	2,274,001	2,420,055	254,339	175,255
		E		F	
		2021		2020	
8	Equity capital	¥9,024,361		¥8,932,547	

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

2. Key assumptions for Δ EVE and Δ NII 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 3.7 years. The longest repricing maturities are 10 years.
- Interest rate risk relating to TEIGAKU deposits is calculated based on an estimated future cash flow using an internal model.
- The Bank aggregates Δ 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 Δ EVE of the other currencies. Δ NII is the simple sum of Δ NII measured for each currency.
- Spread levels are included in discount rates and cash flows.

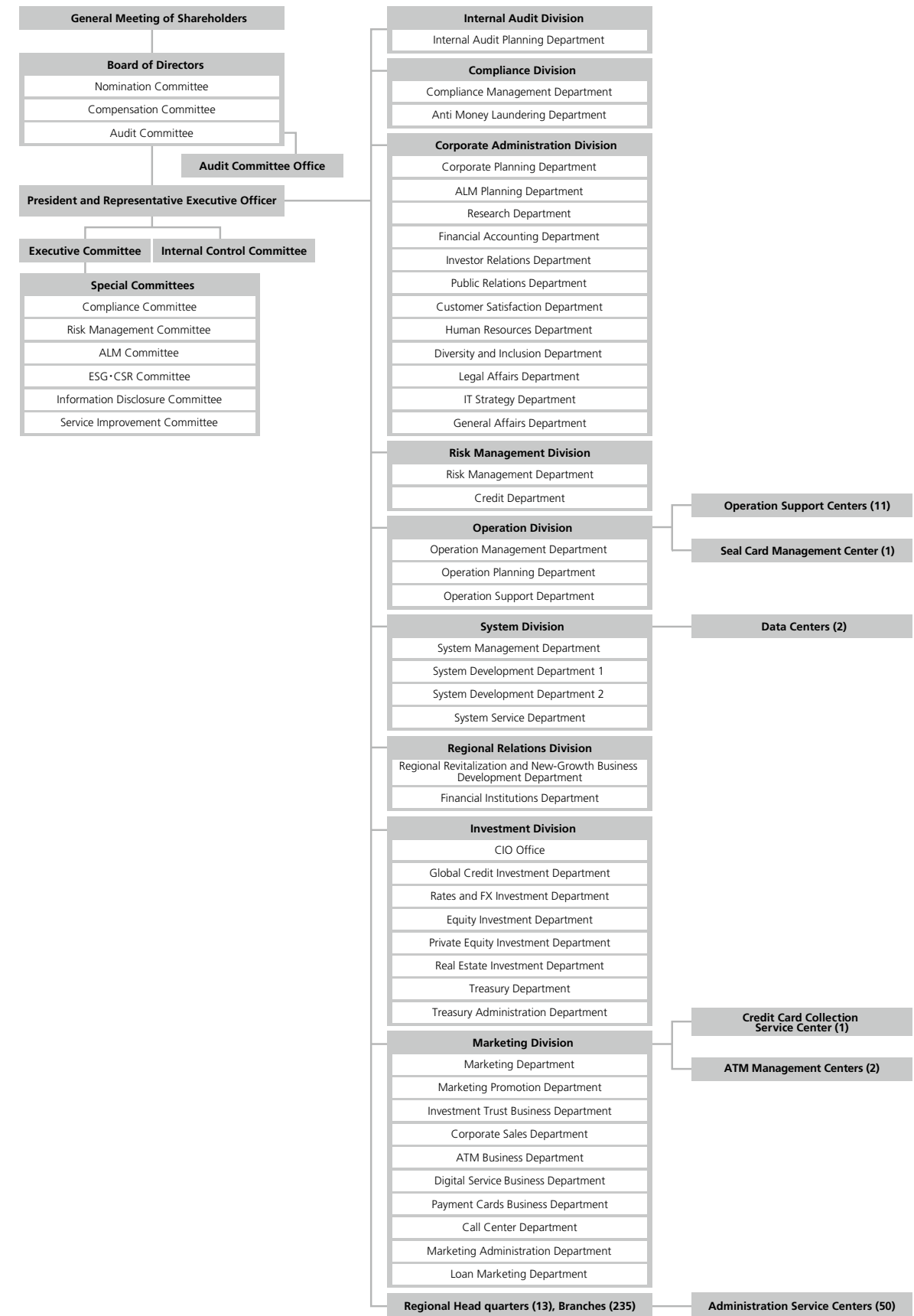
3. The Bank confirms that it has secured sufficient capital to counter measured interest rate risk.

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."

Corporate Data

Organization

(As of July 1, 2021)



Shareholder Information

(As of March 31, 2021)

Number of Shares

Total number of authorized shares	18,000,000 thousand shares
Total number of outstanding shares	3,749,475 thousand shares (excluding 750,524 thousand shares of treasury stock)
Total number of shareholders	427,764

Note: The treasury stock does not include the Bank's shares held by the stock benefit trust (721 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)	33,237	0.88
3	Custody Bank of Japan, Ltd. (Trust Account)	11,792	0.31
4	STATE STREET BANK WEST CLIENT – TREATY 505234	11,371	0.30
5	Japan Post Bank Employee Shareholding Association	10,413	0.27
6	Custody Bank of Japan, Ltd. (Trust Account 5)	8,571	0.22
7	Custody Bank of Japan, Ltd. (Trust Account 6)	7,595	0.20
8	STATE STREET BANK AND TRUST COMPANY 505103	6,848	0.18
9	Custody Bank of Japan, Ltd. (Trust Account 1)	6,797	0.18
10	THE BANK OF NEW YORK MELLON 140044	5,683	0.15

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 (721 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	JAPAN POST BANK LOAN CENTER Co., Ltd. Triton Square Tower X 43F, 8-10, Harumi 1-chome, Chuo-ku, Tokyo	2,000	Administrative agency services including loans for individuals	May 28, 1980	100.00
	Japan Post Investment Corporation 3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo	750	Investment management operations of securities and investment advisory business	February 9, 2018	50.00 [25.00]
	Two other companies	–	–	–	–
Equity-method affiliates	ATM Japan Business Service, Ltd. 30-5, Hamamatsucho 1-chome, Minato-ku, Tokyo	100	Management of ATMs, for example cash loading and withdrawal	August 30, 2012	35.00
	JP Asset Management Co., Ltd. 5-11, Nihonbashi-honcho 1-chome, Chuo-ku, Tokyo	500	Investment management business, type II financial instruments business	August 18, 2015	45.00

Notes:

- 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.
- There are two non-consolidated subsidiaries not accounted for by the equity method in addition to the aforementioned.

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.

Corporate Profile


(As of March 31, 2021)

Corporate name	JAPAN POST BANK Co., Ltd.
Date of establishment	September 1, 2006
Director, President and Representative Executive Officer	Norito Ikeda
Address of head office	2-3-1 Otemachi, Chiyoda-ku, Tokyo 100-8793, Japan
Total assets	¥223,847 billion
Total net assets	¥11,362 billion
Capital	¥3,500 billion
Number of employees*	12,408
Securities identification code	7182 (Tokyo Stock Exchange First Section)

* 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]).

Website

Corporate overview of the Bank together with press releases, financial, IR and other information.

 https://www.jp-bank.japanpost.jp/en_index.html



JAPAN POST BANK Co., Ltd.

https://www.jp-bank.japanpost.jp/en_index.html