2010

JAPAN POST BANK Annual Report

Year ended March 31, 2010

JAPAN POST BANK

Profile

As a member of the JAPAN POST GROUP, the JAPAN POST BANK offers financial services for individuals through a network comprising 234 branches and about 24,000 post offices across the country. Since our establishment as a public institution more than 130 years ago, we have

strived to implement a management philosophy of being the most convenient and trustworthy bank in Japan. The trust we have earned from customers is underscored by our deposits, which exceed ¥175 trillion. This level of deposits gives us the dominant number one share in Japan and places us among the top banks worldwide.

Contents

Annual Report 2010

Confidence Forged through Consistent Efforts

From its first day in business, JAPAN POST BANK has continuously provided retail financial services that are available to every person in Japan. In particular, the Bank's deposits services have been used by an extremely large number of customers, and the deposits of the Bank have been drawn upon to contribute to Japan's development. Meanwhile, the Bank's role has gradually changed as Japanese society has developed, and in recent years, the Bank has been involved in a number of reorganizational initiatives, such as a split from JAPAN POST and a transition from government institution to private enterprise.

130 YEARS

The Bank's history of providing financial services

Nonetheless, over the period of more than 130 years since the Bank was first established, our mission has remained unchanged. We are committed to being "the most convenient and trustworthy bank in Japan", and accordingly it is the needs and expectations of our customers that guide our future direction. To fulfill that mission, we have developed our operations through a network that extends to every corner of Japan, and we have forged confidence with our customers through consistent efforts while investing deposits in safe assets to protect the deposits of our customers. More than anything else, the balance of deposits entrusted to the Bank—among the largest in the world at more than ¥175 trillion—is clear evidence of the confidence that we have earned from our customers.

In addition to its pursuit of efficiency and earnings, JAPAN POST BANK will pay careful attention to customer feedback in order to continue to fulfill the mission in the years ahead. The vision of all at JAPAN POST BANK—from the newest employees to the most senior executives—is on forging confidence with its customers and other stakeholders through consistent efforts.

History

Deposits

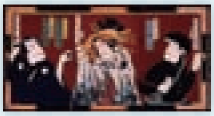
1908
¥100 million

1870 1880 1890 1900 1910 1920 1930

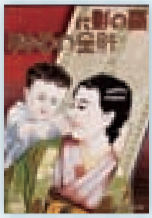
Organization

1871
Postal services started. Postal Law drafted by Hisoka Maejima enforced, marking the start of postal services. Japan's first postage stamp issued. Post boxes set up and service made available to general citizens.

1906
Began money transfers between postal savings accounts nationwide.



1875
Commenced postal money order and postal savings services. Began handling overseas mail.



1880
Started postal money order service for overseas remittances.

The Bank's Origins

Hisoka Maejima is known as the father of Japan's modern postal services. In addition to postal services, he also introduced postal money order and postal savings services in Japan. Both of these services were introduced through the Post Office in 1875, four years after the start of Japan's postal system. Maejima spent time in the United Kingdom to study its postal system, which had uniform, nationwide rates. During this time, he discovered that the post offices in the United Kingdom were not only involved in the postal business but also offered postal money order and postal savings services. In establishing Japan's first postal system, he decided to introduce postal money order and postal savings services. Within three years from their introduction, these services had garnered 10,000 customers.

Before the Second World War

From 1878, postal savings were invested by depositing them with the Ministry of Finance, and until the turn of the century, Japanese Government Bonds accounted for the majority of that investment. Subsequently, the scope of these investments was gradually expanded to include bank debentures and Japanese local government bonds. In this way, postal savings were utilized in the formation of social capital throughout Japan. For customers, postal savings were the safest way of depositing money, and they were also a method of contributing to the development of local communities throughout the nation.

Services were subsequently expanded to increase convenience for the people of Japan. For example, in 1910, the Post Office began to distribute pension payments. As a result of this expansion, postal savings reached ¥10 billion in 1942.

1949
¥100 billion

1960
¥1 trillion

1985
¥100 trillion

1940 1950 1960 1970 1980 1990 2000 2010

1949
Postal savings reached ¥100 billion.

1942
Postal savings reached ¥10 billion.

2003
JAPAN POST (a government-owned corporation) established.

2007
JAPAN POST BANK Co., Ltd. established together with three other operational companies.

After the Second World War

In 1949, the Ministry of Posts and Telecommunications was formed, and the postal savings system was relaunched. Subsequently, the amount of postal savings continued to grow, centered on TEIGAKU savings, which had especially attractive interest rates in comparison with the products of other banks. Postal savings reached ¥1 trillion in 1960 and ¥100 trillion in 1985.

Over that period, postal savings were deposited with the Ministry of Finance and then used for a variety of national investment and loan programs. Through these programs, postal savings were used as financing for expressways, airports, and other major construction projects; as operating funds for small and medium-sized companies; and as funds for the construction of housing. The use of postal savings contributed to the development of Japan's post-war society. The Japanese people became more affluent. This, in turn, resulted in further increases in the amount of savings. Consequently, a virtuous cycle was started, with the amount of investment in social development leading to further expansion. In this way, postal savings grew in tandem with Japanese society.

Road to Privatization

As Japan's economy matured, the role of national investments and loans began to decline gradually, and in April 2001, the government stopped using postal savings to fund national investments and loans. In January 2001, the Japanese government reorganized its ministries and agencies, and the new Postal Services Agency subsequently began to independently invest postal savings.

The Koizumi Administration, which was inaugurated shortly thereafter, unveiled a new "Structural Reform" policy based on the concept that "whatever can be done by the private sector should be done by the private sector". The government moved forward with the keynote of that policy—the privatization of postal services. In 2003, the government reorganized the Postal Services Agency into JAPAN POST, and subsequently, in October 2005, the government formulated the Postal Service Privatization Law.

In January 2006, JAPAN POST HOLDINGS Co., Ltd. was separately founded and began to prepare and plan for the privatization of postal services. On October 1, 2007, JAPAN POST transferred its businesses to four separate companies—JAPAN POST NETWORK Co., Ltd., JAPAN POST SERVICE Co., Ltd., JAPAN POST BANK Co., Ltd. and JAPAN POST INSURANCE Co., Ltd.—with JAPAN POST HOLDINGS as their holding company.

Under the Postal Service Privatization Law, JAPAN POST HOLDINGS was required to sell all of its holdings of JAPAN POST BANK shares by September 30, 2017. However, in December 2009 a bill was passed that temporarily halted JAPAN POST HOLDINGS' sales of the Bank's shares, and currently the national government is reviewing the future direction of the JAPAN POST GROUP.

Financial Highlights

Statements of Income

Years ended March 31	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Gross operating profit:	¥ 1,710,447	¥ 1,746,765	$ 18,383,999
Net interest income	1,621,305	1,655,330	17,425,895
Net fees and commissions	86,162	91,096	926,080
Net other operating income	2,979	338	32,024
General and administrative expenses (excluding non-recurring losses)*1	1,221,290	1,266,162	13,126,507
Operating profit (before provision for (reversal of) general reserve for possible loan losses)	489,157	480,602	5,257,492
Ordinary income	494,252	385,243	5,312,258
Net income	296,758	229,363	3,189,576

Balance Sheets

As of March 31	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Total assets:	¥194,678,352	¥196,480,796	$2,092,415,655
Securities	178,230,687	173,551,137	1,915,635,077
Loans	4,022,547	4,031,587	43,234,608
Total liabilities:	185,838,804	188,301,222	1,997,407,617
Deposits	175,797,715	177,479,840	1,889,485,333
Net assets	8,839,547	8,179,574	95,008,038

Key Indicators and Others

Years ended March 31	2010	2009
Net income to assets (ROA)*2	0.15%	0.11%
Net income to equity (ROE)*3	3.48%	2.82%
Expense-to-deposit ratio*4	0.68%	0.70%
Capital adequacy ratio (non-consolidated, domestic standard)*5	91.62%	92.09%
Tier I capital ratio	91.61%	92.08%
Number of employees*6	12,060	11,675
Number of outlets	24,185	24,086
Number of ATMs	26,191	26,136

Notes: 1. General and administrative expenses exclude employees' retirement benefits (non-recurring losses) and others.
2. ROA = Net income / [(sum of total assets at beginning and end of fiscal period) / 2] x 100
3. ROE = Net income / [(sum of total net assets at beginning and end of fiscal period) / 2] x 100
4. Expense-to-deposit ratio = General and administrative expenses / average deposit balances x 100
5. Capital adequacy ratio (non-consolidated, domestic standard) is calculated based on standards stipulated by Article 14-2 of the Banking Law (Financial Services Agency Notification No. 19, March 27, 2006) for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments. The JAPAN POST BANK adheres to capital adequacy standards applicable in Japan.
6. The number of employees excludes JAPAN POST BANK employees assigned to other companies by the Bank but includes employees assigned to the JAPAN POST BANK by other companies. The figures do not include short-term contract and part-time employees.

Corporate Leadership

Shigeo Kawa
Chairman

Yoshiyuki Izawa
President & CEO

Message from the President & CEO

Our History

JAPAN POST BANK has earned the confidence of Japan's customers over its long history. Through the nationwide network of post offices, the Bank plays an important public role, by providing financial services that are closely linked to people's daily lives, and as a result the Bank has been entrusted with a substantial amount of customer deposits—about ¥175 trillion. We believe that the conservative investment management of these deposits, which are our customers' assets, is a crucial responsibility that we will continue to respect in the future.

When Japan's postal services were incorporated in October 2007, JAPAN POST BANK was established to take over the postal savings business. However, this business dates back more than 130 years to the start of postal savings services in Japan in 1875. In fact, it is the confidence and patronage of the large number of customers cultivated by the post office network that make the Bank's operations possible today.

Moving forward, we will continue to follow our basic management philosophy of being "the most convenient and trustworthy bank in Japan", guided by the needs and expectations of our customers. While we will strive to promote even closer collaboration with other companies in the JAPAN POST GROUP, there will, of course, be no change in JAPAN POST BANK's commitment to secure the confidence of our customers forged through consistent effort.

Economic Environment in Fiscal 2010

In response to the financial crisis that shook economies worldwide in fiscal 2009, ended March 31, 2009, national governments and central banks around the world implemented aggressive monetary and fiscal policies. The effects of these policies started to materialize in fiscal 2010, ended March 31, 2010, as economic conditions in most countries resurged from the worst of the crisis, and a recovery gradually got underway.

In Japan, business conditions steadily began to pick up against a background of improvement in the global economy and the effects of fiscal policies. Corporate results continued to improve. Real GDP growth in the April–June quarter of 2009 turned positive for the first time in five quarters and subsequently recorded solid growth. According to a survey taken by the Bank of Japan, the DI for demand for loans from firms was negative for the fiscal year, but it bottomed out in the October–December quarter of 2009 and subsequently showed signs of a turnaround. On the other hand, the CPI recorded declines throughout the three-quarter period from April to December of 2009. In the January–March quarter of 2010, however, the figure turned positive. In Japan, the financial crisis that followed the bankruptcy of Lehman Brothers has led to a stronger focus on deposits in individual financial assets. Deposits at the 120 members of the Japanese Bankers Association recorded a year-on-year gain of 2.5%, or ¥13,677.9 billion, during fiscal 2010.

In financial and capital markets, the yield on 10-year Japanese Government Bonds fluctuated in a narrow range between 1.2% and 1.5%, mainly due to stagnant economic situations and the introduction of ¥10 trillion in new lending by the Bank of Japan that resulted in additional liquidity.

In the stock market, the Nikkei 225 bottomed out at ¥8,085 on April 1, 2009, and in March 2010 it climbed back up to the ¥11,000 range for the first time in 17 months.

Meanwhile, in foreign exchange markets, the yen-dollar rate surged in November 2009, triggered by the Dubai Shock. The yen-dollar rate reached the ¥84 range per US dollar for the first time in more than 14 years, sharply rising from the range of ¥101 against the US dollar hit in April 2009. The foreign exchange markets experienced a volatile year and the yen subsequently depreciated to the ¥93 level per US dollar in March 2010.

Regulatory Revisions in Fiscal 2010

In fiscal 2010, there were developments in regulatory reform that could influence financial institution management on an international level. The Basel Committee on Banking Supervision proposed the introduction of tighter capital standards as well as the introduction of liquidity standards. Stricter capital standards will have a marked influence on bank management, and accordingly major banks around the world are paying close attention to these developments.

However, we do not expect more rigorous capital regulations to have a substantial effect on our capital management given the fact that the majority of our capital is "core Tier 1 capital" and we have ensured a high capital adequacy ratio over the past years. Moreover, Japanese Government Bonds, which are highly liquid, account for the majority of our assets, and accordingly we do not believe that the introduction of regulatory liquidity standards will have a substantial effect on our operations.

In addition, other active regulatory developments include tighter restrictions on the scope and scale of the operations of financial institutions, a reduction in pro-cyclicality, and capital requirements for securitization exposures. Each of these developments is expected to have a marginal influence on JAPAN POST BANK.

The Bank will, however, continue to closely monitor these developments, and as necessary, will take appropriate measures in order to continue to implement sound bank management rigorously in the future.

Message from the President & CEO

Results in Fiscal 2010

In fiscal 2010, net ordinary income rose ¥109.0 billion year on year, to ¥494.2 billion, and net income increased ¥67.3 billion, to ¥296.7 billion. The major points characterizing the Bank's results were the below three.

First, total assets at the end of the fiscal year were ¥194 trillion, while total deposits were down ¥1.6 trillion year on year, to ¥175 trillion. However, as a result of various efforts, fixed-term deposits reversed their declining trend to record a year-on-year gain, reaching ¥118 trillion at year-end. We believe that the pace of the decline in net deposits has begun to slow. In addition, we worked to diversify investments and increased our holdings of Japanese corporate bonds, foreign bonds, and others by roughly ¥5.3 trillion.

Second, we cut ordinary expenses by ¥389.6 billion, to ¥1,713.6 billion. This was due to reduced financing expenses stemming from lower interest rates paid on deposits, the elimination of unnecessary expenses, and others.

Third, we recorded a gain on money held in trust, showing a sharp improvement from the ¥100.2 billion of losses posted in the previous year, in reaction to the recovery of the stock market.

Challenges in Fiscal 2011

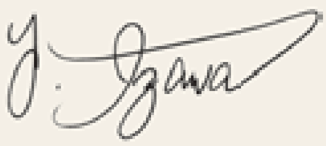
The Bank has positioned fiscal 2011 as a year for enhancing its marketing capabilities and its ALM strategy. With constant attention to our compliance systems, we will endeavor to increase the Bank's enterprise value.

Our marketing strategy calls for implementing a variety of campaigns in order to slow the pace of the decline in deposits and increase deposits further. To bolster our marketing systems, we established an area headquarters system in April 2010. We will centralize responsibility for the area's directly operated branches, work closely with JAPAN POST NETWORK Co., Ltd., and carry out unified area operations. In these ways, we will work to further boost our performance.

Under our ALM strategy, meanwhile, we will strive to bolster our earnings from investment. While appropriately controlling interest rate risk, we will continue to disperse risk and expand sources of earnings by further diversifying the investment instruments that we employ.

Our people are the foundation of management at JAPAN POST BANK, and human resources development is indispensable in bolstering management systems. In accordance with this approach, we will enhance training programs and endeavor to cultivate employees with specialized skills. In this way, we will seek to achieve further improvement in customer satisfaction, in a bid to boost our enterprise value.

The Japanese government is reportedly reviewing the implementation of postal reforms. For JAPAN POST BANK, however, the outcome of those deliberations will not affect our commitment to providing better services to customers throughout Japan, which is the starting point of all that we do. Since I became President and CEO in December 2009, the Bank's directors and employees have worked closely together to meet the needs of customers. Moving forward, we will draw on a wide range of our expertise, maintain the consistent efforts that have supported our growth, and strive to enhance the Bank's enterprise value. On behalf of everyone at JAPAN POST BANK, I would like to ask for your ongoing support as we continue working to "Forge Confidence Through Consistent Effort".



July 2010

President and CEO, Yoshiyuki Izawa

24,185

OUTLETS

The number of JAPAN POST BANK outlets in Japan

Special Feature

To be "The Most Convenient and Trustworthy Bank in Japan"

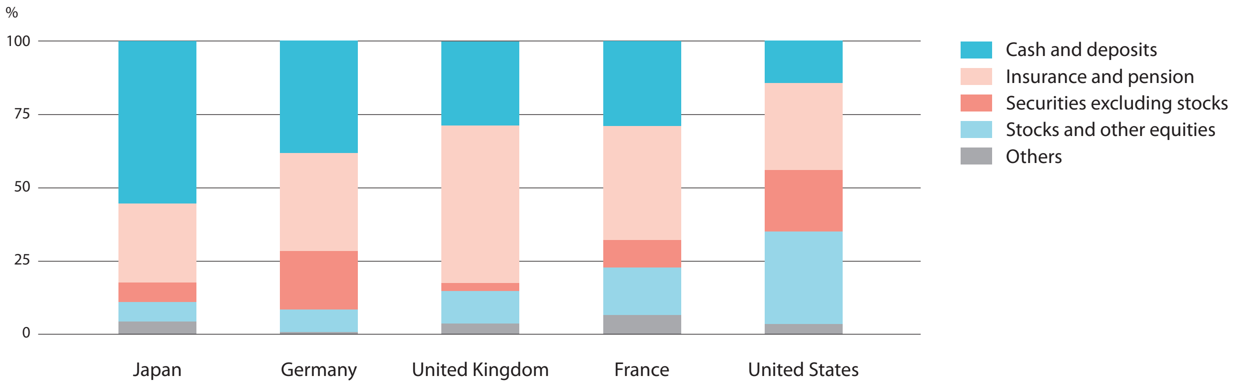
JAPAN POST BANK has continued to make consistent efforts to fulfill its mission of being "the most convenient and trustworthy bank in Japan". In today's challenging market environment, JAPAN POST BANK is making the most of its strengths to fulfill that mission.

Special Feature

Our Operating Environment

Japan's retail financial market has two distinctive features. First, the market is extremely large; the total amount of individual financial assets is said to be the second largest in the world, approximately ¥1,400 trillion. Second, in comparison with other major countries, cash and deposits account for a high proportion of individual financial assets—more than 50%. Consequently, Japan has the largest amount of cash and deposits in the world.

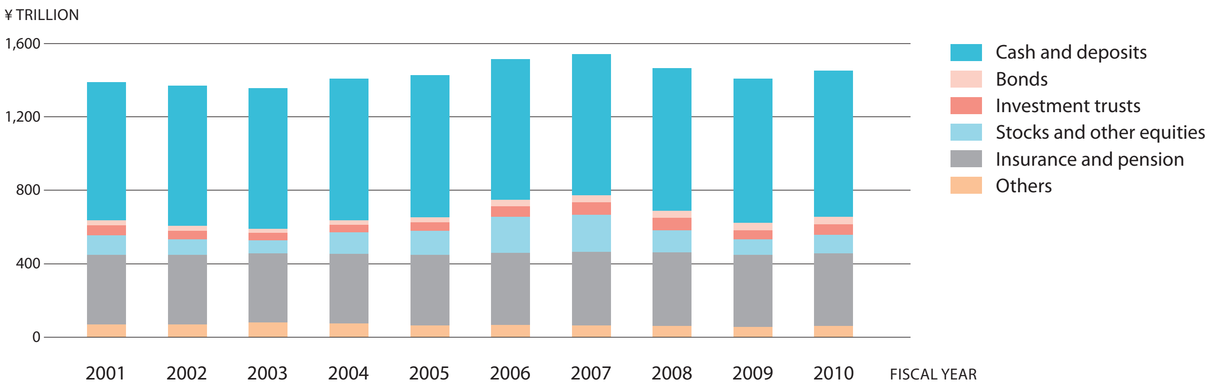
Household Assets in Major Countries



Sources: Bank of Japan "Flow of Funds", FRB "Flow of Funds Account", ONS "United Kingdom Economic Accounts", Deutsche Bundesbank "Households' financial assets and liabilities 1991-2008", Banque de France "Financial Accounts"

Until a few years ago, household assets in Japan had begun to shift from savings to investments, and consequently the proportion of individual financial assets accounted for by risk assets, such as equities and investment trusts, began to increase. However, against a background of uncertainty in financial markets from 2007, consumers became more risk averse, and deposits began to increase once again. In Japan, the ongoing trend toward a declining birthrate and an aging population is making it increasingly difficult to maintain the current public pension system; there is a steadily growing recognition that individuals need to secure their own resources for retirement. Deposits continued to be the primary method of saving personal wealth.

Household Assets in Japan



Source: Bank of Japan "Flow of Funds"

The Distinctive Role of JAPAN POST BANK

The distinctive role of JAPAN POST BANK's retail banking operations is supported by three key strengths—the *convenience* that stems from the Bank's extensive network, the *confidence* derived from the Bank's massive deposit base, and the *safety* that results from the Bank's conservative investment policies. With these three strengths, JAPAN POST BANK has a clear competitive advantage over other financial institutions.

Three distinct strengths supporting the significance of JAPAN POST BANK's operations

1 CONVENIENCE

- A network of outlets that is within walking distance of nearly every point in Japan, available through JAPAN POST NETWORK
- Comprehensive sales channels, including branches, ATMs, and the Internet

2 CONFIDENCE

- The largest number of accounts and the largest customer base in Japan
- Broad base of customers extending to all generations and all regions of Japan

3 SAFETY

- Steady, conservative investment policy, centered on Japanese Government Bonds
- Maintenance of low-cost operations

JAPAN POST NETWORK is a reliable partner that is indispensable in the conduct of the Bank's operations. JAPAN POST BANK and JAPAN POST NETWORK have been one operation for more than 130 years, ever since the Post Office started postal savings and domestic remittance operations in 1875. Even after 2007, when the Bank was spun off from JAPAN POST, the Bank and JAPAN POST NETWORK have enjoyed a mutually beneficial relationship, with the Bank acting primarily as the planning division and JAPAN POST NETWORK as the sales division.

The following pages illustrate the role the Bank is playing as it leverages and builds on this relationship with JAPAN POST NETWORK.

Providing financial services through the division of roles

JAPAN POST NETWORK

- Bank agency operations through a massive nationwide network of approximately 24,000 post offices staffed by approximately 110,000 post office employees
- Leverage points of customer contact that are closely linked to local communities, and implement sales promotions
- Draw on brand recognition cultivated over an extensive history

JAPAN POST BANK

- Development of financial products that meet fundamental customer needs
- Conservative investment of deposits
- Implementation of sales promotions and campaigns
- Implementation of marketing education and training for post office employees

Strength 1 CONVENIENCE

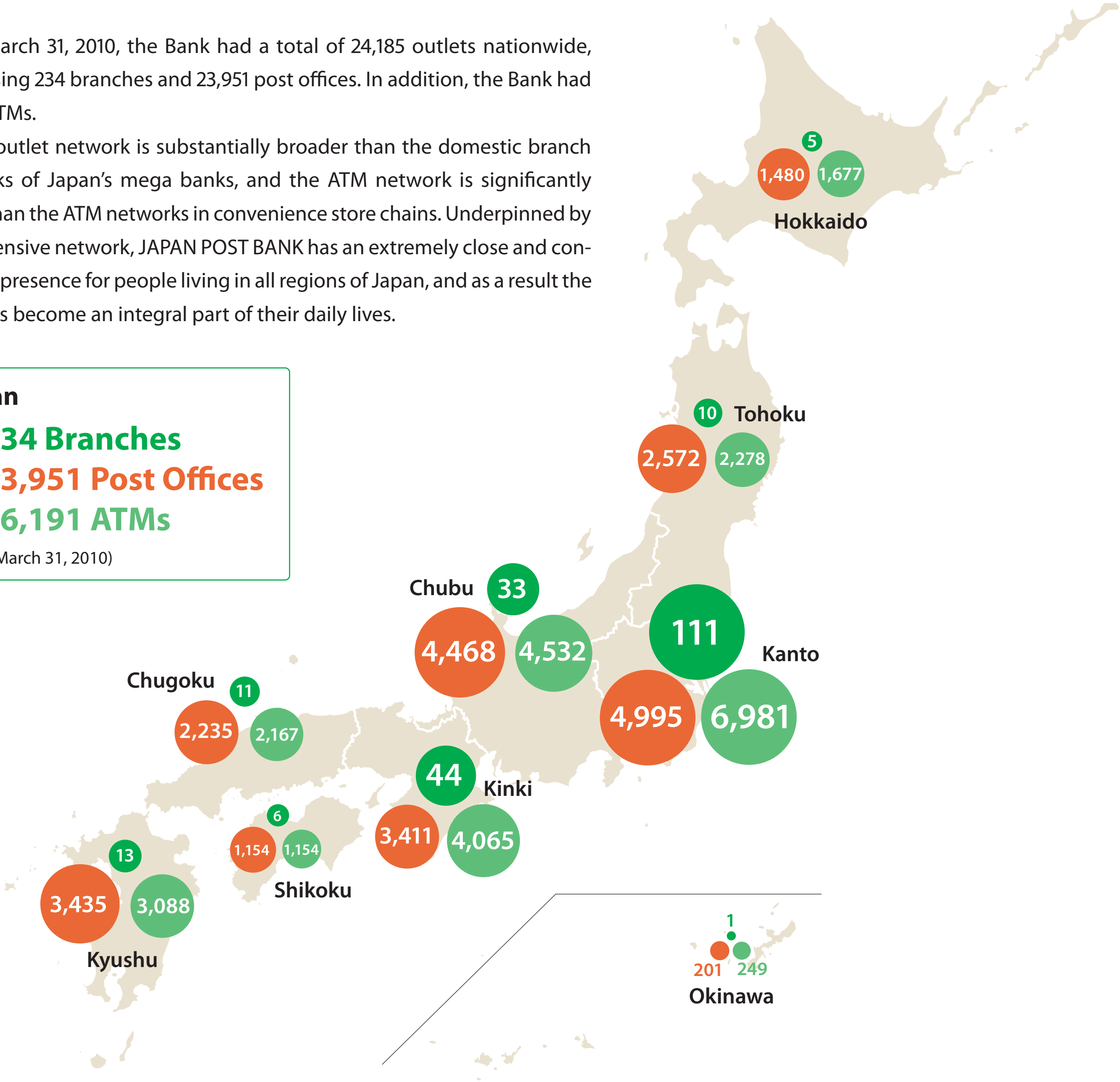
An Extensive Network

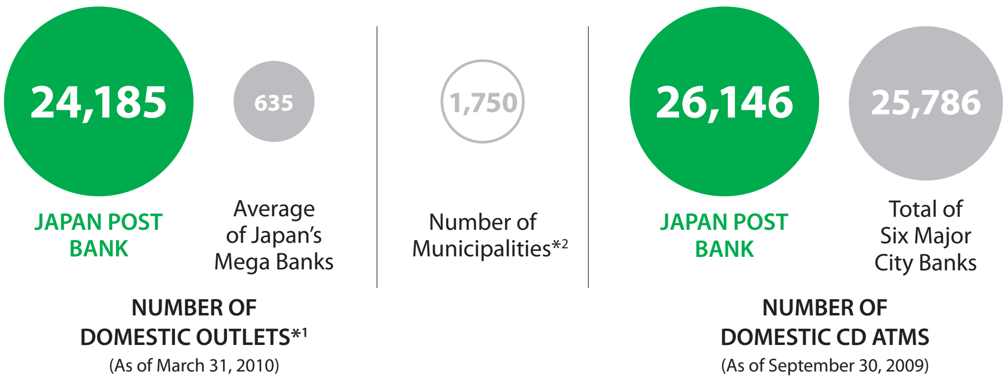
As of March 31, 2010, the Bank had a total of 24,185 outlets nationwide, comprising 234 branches and 23,951 post offices. In addition, the Bank had 26,191 ATMs.

This outlet network is substantially broader than the domestic branch networks of Japan's mega banks, and the ATM network is significantly larger than the ATM networks in convenience store chains. Underpinned by this extensive network, JAPAN POST BANK has an extremely close and convenient presence for people living in all regions of Japan, and as a result the Bank has become an integral part of their daily lives.

Japan
- 234 Branches
- 23,951 Post Offices
- 26,191 ATMs

(As of March 31, 2010)





*1. Outlets: Branches + Post offices

*2. Municipalities: All cities, towns, and villages in Japan

Sources: Japan Bankers Association and each Bank's respective official web site
Local Authorities Systems Development Center (LASDEC) official web site

Outlets and Services

The Bank has two types of outlets: 234 branches, principally in urban areas, and 23,951 post offices that have been commissioned to handle bank agency operations. Most branches are operated under the JAPAN POST BANK name while being located in post office buildings, but some branches are in buildings that are separate from post office facilities. At post offices, which are operated by JAPAN POST NETWORK, employees handle bank agency operations as one facet of counter operations.

The services offered by outlets differ in accordance with the needs of the customers in each area. For example, deposits and domestic remittance services are offered at nearly all outlets, including post offices. However, some post offices do not handle sales of investment products, such as investment trusts, and mortgage loan intermediary operations are only available at certain branches.

Distinctive Features of Our ATM Service

To maintain existing customers and to cultivate new customers, we do not charge a commission for the use of our ATMs with our bank cards, no matter what time the ATM is used. We believe that this convenience is one of the key reasons we have earned the support of so many customers.

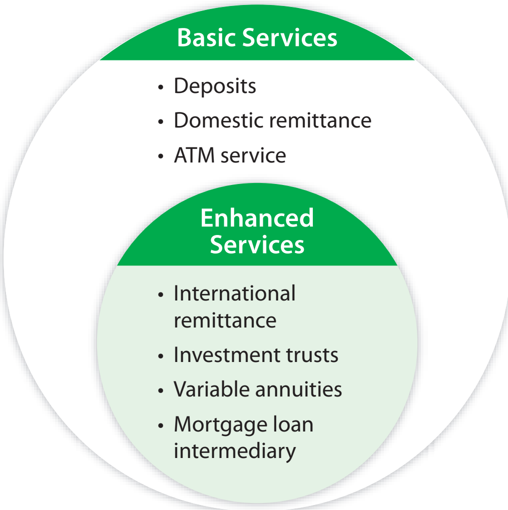
In addition, customers from overseas can use our ATMs to withdraw money. Almost all credit cards and bank cards issued by overseas financial institutions can be used to withdraw cash in yen.

The Bank's ATMs are also easy to use for physically challenged customers. Braille and voice guidance systems are available for visually challenged customers. (These services are available in English as well as Japanese.)

Internet Banking

The Bank is continuously enhancing its service lineup. We offer Internet banking services through the website "Yucho Direct". In January 2009, we began to participate in the Interbank Data Telecommunication System, "Zengin Net", and consequently transfers to and from other financial institutions have been available, even via the Internet, since May 2009.

Services Offered at Outlets



Available Everywhere: JAPAN POST BANK Services

Post offices, which provide JAPAN POST BANK services, have a presence that extends throughout Japan. This includes regions in which the post office is the only nearby financial institution. For people who live in these areas, JAPAN POST BANK outlets are a community place.

KAMIONGATA POST OFFICE

ZENKOJI POST OFFICE

Special Feature

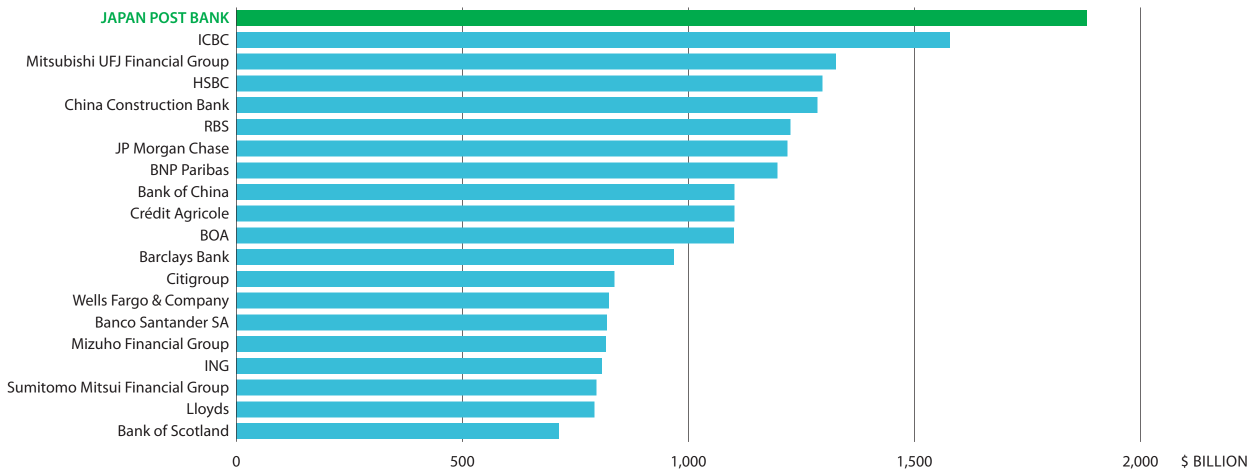
Strength 2 **CONFIDENCE**

A Massive Amount of Deposits

The Largest Balance of Deposits in the World

The Bank has the largest amount of deposits in the world, even in comparison with overseas banks, and is one of the world's largest financial institutions.

Total Deposits of Major Banks Around the World



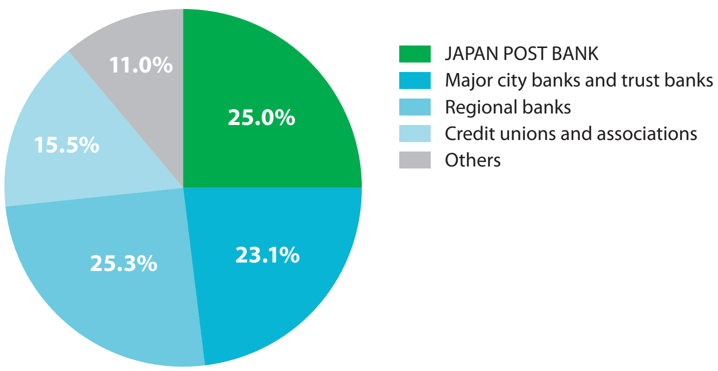
Note: Japanese banks as of March 31, 2010, others as of December 31, 2009. Calculated based on foreign exchange rates as of the respective fiscal year-end.
Source: Corporate disclosures

Overwhelming Individual Financial Assets in Japan

As mentioned previously, Japan has the largest amount of savings in the world, and with its deposits of about ¥175 trillion, the Bank has a share of about 25% of Japan's deposits. This is a dominant share that exceeds the total deposit base for major city banks. The Bank has an extremely strong operating base in Japan's individual financial asset market, which is the second largest in the world.

Share of Individual Deposits in Japan

Individual deposits: ¥727.4 trillion



Note: Individual deposits are the total for liquid deposits, time deposits, and negotiable certificates of deposit.
Sources: Bank of Japan "Flow of Funds", The Japan Financial News Co., Ltd. "Nikkin Shiryo Nenpo 2009"
(As of March 31, 2008)

Background to Massive Amount of Deposits

The Bank's history is one of the reasons why it has been entrusted with this massive amount of deposits. We have a track record in savings operations that extends back more than 130 years. Other reasons include our extensive network, which gives us a close-by presence for customers throughout Japan. For this reason, the Bank is known in Japan as "the people's savings bank".

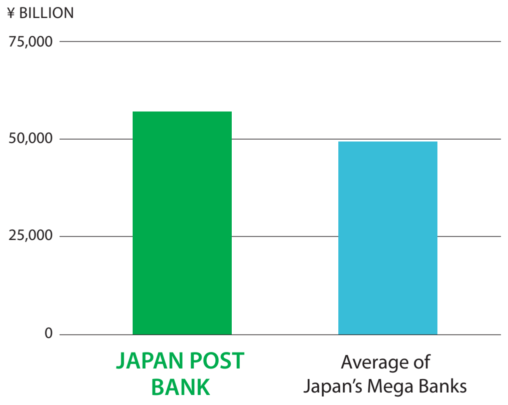
Customers also trust the Bank because of its high capital adequacy ratio and stable management. These factors are a direct result of our policy of investing the savings deposited with us in low risk assets, such as Japanese Government Bonds.

We also have a distinctive product, TEIGAKU deposits. With these deposits, funds can be withdrawn at any time after six months from the inception of the deposit. The interest rate on TEIGAKU deposits is higher than the rate on ordinary deposits, and the interest rate at the point the deposit is made can be applied for up to 10 years. For the depositor, TEIGAKU deposits offer liquidity and attractive interest rates. TEIGAKU deposits accounted for 51.70% of the Bank's deposits as of March 31, 2010. Consequently, fixed-term deposits accounted for an extremely high share of the Bank's deposits. Specifically, as of March 31, 2010, fixed-term deposits accounted for 67.4% of the Bank's deposits, compared with an average of 41.1% for Japan's mega banks. At ¥118.3 trillion, the Bank's fixed-term deposits were about three times the average of ¥34.5 trillion for Japan's mega banks.

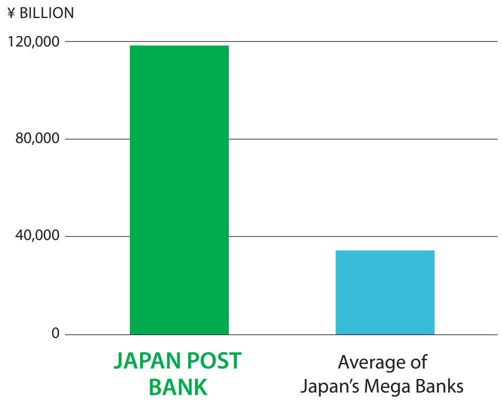
This difference indicates the confidence that our customers feel in depositing their savings for an extended period of time. TEIGAKU deposits enable the Bank to secure stable funds for investment.

Liquid and Fixed-term Deposits

Liquid Deposits



Fixed-term Deposits



* Japan's Mega Banks: Mitsubishi UFJ Financial Group (2 banks), Sumitomo Mitsui Financial Group (1 bank), and Mizuho Financial Group (3 banks)
Source: Created from published materials from each company
(As of March 31, 2010)

Special Feature

Strength 3 **SAFETY**

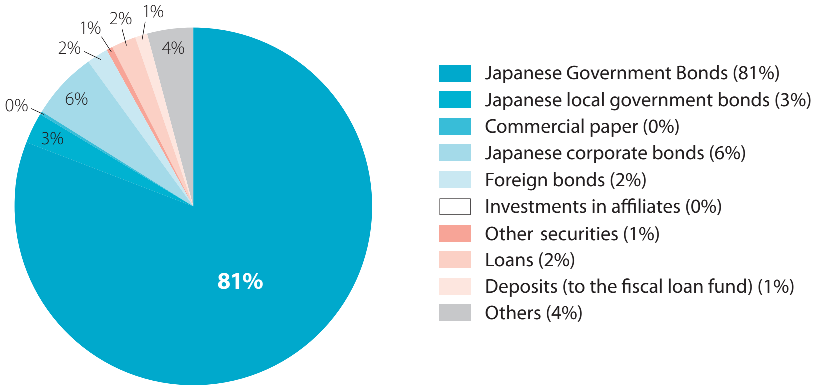
Conservative Investment

From our very earliest days back in the 19th century, we have taken on the responsibility of protecting a substantial portion of the nation's assets as "the people's savings bank". Accordingly, we have been called upon to invest, in a conservative and low risk manner, the massive amount of funds deposited with the Bank. Given the scale of our deposits, we have been able to secure an adequate return on invested funds without pursuing a high-risk, high-return investment policy.

As of March 31, 2010, securities accounted for 92.72% of investments, with Japanese Government Bonds accounting for 81.10% of investments. Japanese Government Bonds, which have zero credit risk and are free from currency risk, bring us a fixed return.

On the other hand, we recognize that we must diversify our investments to reduce interest rate risk. We have increased our investment in instruments other than Japanese Government Bonds in recent years. With careful risk screening, we have invested in such instruments as Japanese local government bonds, foreign bonds, and syndicated loan investments. Moving forward, as the "most trustworthy bank", which has been entrusted with a substantial share of the assets of Japan's consumers, we will implement safe investment practices while managing risk and work to generate steady returns on investment.

Breakdown of Investments



¥175
TRILLION
The balance of deposits as of March 31, 2010

Shibuya Branch

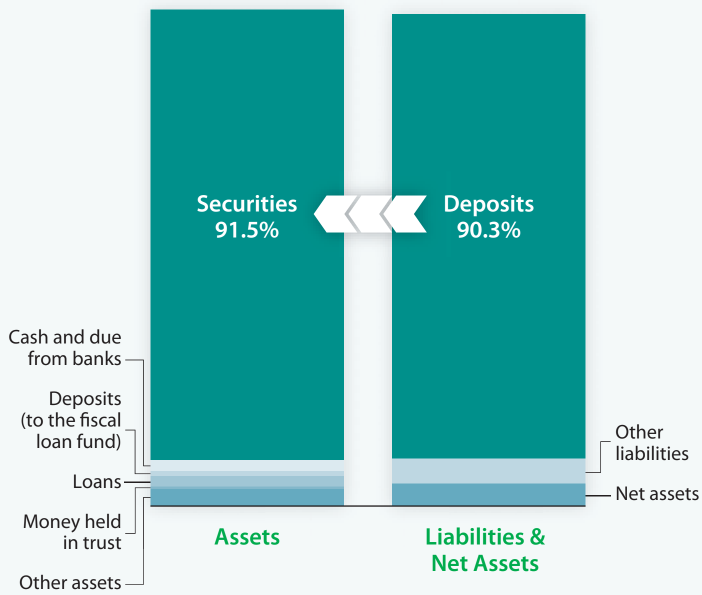
Review of Operations

To Earn Further Confidence as a Private Sector Bank

JAPAN POST BANK's Business Model

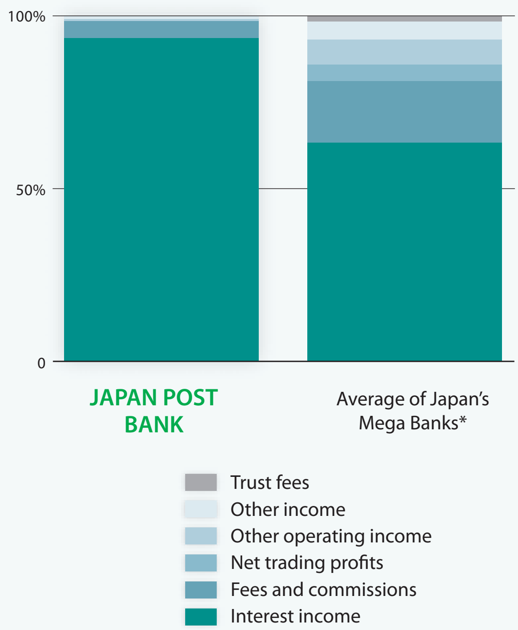
Balance Sheet Displays Distinctive Features

JAPAN POST BANK's fundamental business model is to "Collect funds via deposits from customers, invest those deposits in securities, primarily Japanese Government Bonds, and secure returns on investment". The Bank's balance sheet clearly reflects this distinctive business model. Deposits of roughly ¥175 trillion constitute approximately 94.5% of the Bank's liabilities, and approximately 91.5% of the Bank's assets, roughly ¥178 trillion, are investments in securities. Furthermore, most of these securities, representing approximately 80.0% of assets, are Japanese Government Bonds, while the remainders are also primarily low-risk securities.



Distinctive Features of Earnings

As outlined above, returns from investments are the Bank's main source of earnings, and this makes the Bank clearly distinctive when compared with other banks. The Bank's returns from investments are at roughly the same level as other major Japanese banks, but income from fees and commissions constitutes a much smaller percentage of revenues than at other major Japanese banks. In addition, the Bank does not receive trust fees. JAPAN POST BANK's business model can be substantially enhanced. The Bank engages in a retail finance business with a broad customer base, and management is seeking to expand its range of services to raise the level of customer convenience.



* Japan's Mega Banks: Mitsubishi UFJ Financial Group (2 banks), Sumitomo Mitsui Financial Group (1 bank), and Mizuho Financial Group (3 banks)

Source: Created from published materials from each company

(Fiscal year ended March 31, 2010)

Fundamental Strategy

JAPAN POST BANK's fundamental business strategy is to procure a very large amount of deposits from a broad customer base, and subsequently invest those funds in stable investments. We recognize the importance of both fund procurement and investment for the maintenance of earnings based on this strategy.

In terms of fund procurement, the Bank is able to gather a very large amount of deposits from across Japan at a low cost in cooperation with JAPAN POST NETWORK, which acts as the Bank's agent. This is reflected in the Bank's expense-to-deposit ratio* of 0.6%, compared with an average of 1.0% at Japan's mega banks. In addition, because most deposits are from individuals, there is relatively little fluctuation in the overall amount, thereby resulting in a stable level of liabilities.

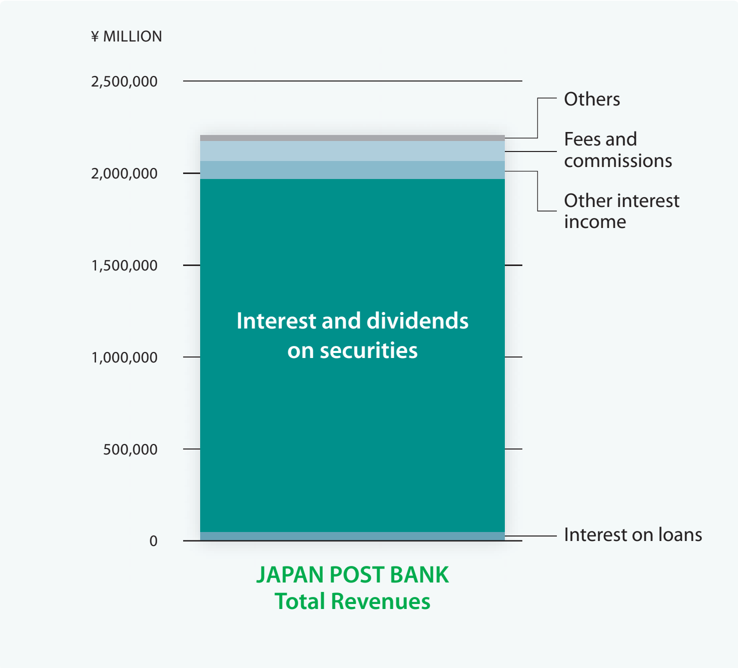
In terms of investment, the portfolio is structured to have low risk, with Japanese Government Bonds as the primary investment. Holdings of leveraged, securitized products, as well as of highly volatile equities, are limited. This of course means that the investment return is not particularly high, but the fact that the Bank is able to invest large amounts of funds procured at a low cost makes it possible to maintain a stable level of earnings. Given this distinctive situation with regard to assets and liabilities, the Bank is working to make its ALM more sophisticated and to maximize earnings.

* Expense-to-deposit ratio = General and administrative expenses / Average deposit balances x 100

Current Earnings Structure and Future Outlook

The Bank's earnings structure for the fiscal year ended March 31, 2010 consisted of ¥2,066.0 billion of interest income, accounting for 93.57% of total revenues; ¥108.4 billion from fees and commissions, accounting for 4.91%; and ¥13.0 billion of other operating income, accounting for 0.59%. Compared with the fiscal year ended March 31, 2009, the proportion of revenues from interest income rose 0.7 percentage points, while fees and commissions rose 0.4 percentage points, and the portion from other operating income declined by 1.5 percentage points.

The Bank's policy going forward is to maintain and increase the amount of deposits while gradually reducing the expense-to-deposit ratio in line with the fundamental business strategy, and at the same time to expand the scope of earnings by diversifying investment methods and increasing commissions.



Net Interest Income

Overview

Net interest income was ¥1,621.3 billion, a decrease of 2.05% from ¥1,655.3 billion in the fiscal year ended March 31, 2009.

Interest income was ¥2,066.0 billion, a decline of 10.55% from ¥2,309.9 billion in the fiscal year ended March 31, 2009. The decline was primarily attributable to a decrease in the interest on deposits (to the fiscal loan fund)* and to a drop in interest due from banks. Interest on securities was down 1.02% year on year, to ¥1,920.9 billion.

The average balance of interest-earning assets was ¥188,531.9 billion, a decrease of ¥12,721.3 billion from ¥201,253.3 billion in the fiscal year ended March 31, 2009. The earnings yield on interest-earning assets was 1.09%, a decline of five basis points from the fiscal year ended March 31, 2009.

Interest expenses were ¥444.7 billion, down 32.05% from ¥654.5 billion in the fiscal year ended March 31, 2009.

The average balance of interest-bearing liabilities was ¥180,535.1 billion, a decline of ¥12,995.7 billion from ¥193,530.9 billion in the fiscal year ended March 31, 2009. The interest rate on deposits declined one basis point, to 0.19%, from 0.20% in the fiscal year ended March 31, 2009.

The spread between interest-earning assets and interest-bearing liabilities was 0.84%, an increase of three basis points from the fiscal year ended March 31, 2009. The yield spread excluding deposits (to the fiscal loan fund) and borrowed money was 0.87%, the same as in the fiscal year ended March 31, 2009. The yield spread between securities and deposits, which are respectively the major components of our assets and liabilities, was 0.89%, nearly the same as the previous fiscal year's level of 0.90%.

* For details of deposits (to the fiscal loan fund), please see MD&A on page 42 of this report.

ALM Strategy, Investment Policies, and Risk Management

In order to increase net assets and to earn the confidence of markets and customers, the Bank conducts integrated management of its asset and liability portfolios through its ALM system, thereby ensuring stable earnings and comprehensively managing the risk posed to the asset and liability portfolios by fluctuating market prices.

The Bank's investment policy is to focus on overall earnings while appropriately controlling risk.

In the fiscal year ended March 31, 2009, the global financial crisis adversely affected the creditworthiness of the Bank's investment and loan counterparties, exposing the Bank to heightened credit risk. In response, the Bank took steps to further bolster its credit management.

Specific Initiatives

Interest income, principally from investment in Japanese Government Bonds, accounts for a major part of the Bank's earnings. From the viewpoint of sound management, it is necessary to achieve stable earnings. To that end, the Bank needs to utilize an investment model that draws on a variety of investment methods to diversify business risk and revenue sources while appropriately controlling interest rate risk. Accordingly, we are moving forward with a range of initiatives, such as the hiring and development of human resources and maintenance of the IT infrastructure.

Specifically, under normal interest rate scenarios and with consideration for existing liabilities, we appropriately managed the duration of invested assets and hedged a certain degree of interest rate risk through interest rate swaps and other instruments. In this way, we worked to ensure our principal source of earnings, the interest rate spread between assets and liabilities.

Furthermore, to diversify risk and sources of earnings, we invested in Japanese corporate bonds and foreign bonds.

Fees and Commissions & Other Income

Overview

Net fees and commissions were ¥86.1 billion, a decrease of 5.41% from ¥91.0 billion in the fiscal year ended March 31, 2009.

Fees and commissions received were ¥108.4 billion, a 3.41% decline from ¥112.3 billion in the fiscal year ended March 31, 2009. This decline was attributable to a decrease in fees and commissions on domestic and foreign exchange, to lower sales of Japanese Government Bonds, and to lower commissions from ATM transaction services.

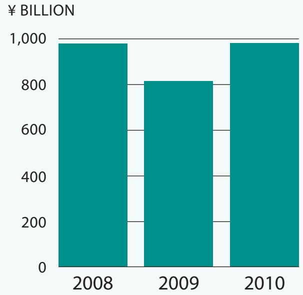
Fees and commissions received included ¥64.6 billion of fees and commissions on domestic and foreign exchange, a decline of 2.85% from ¥66.5 billion in the fiscal year ended March 31, 2009. The decline was attributable to lower commissions on transfer deposits due to such factors as a reduction in commissions on utility and tax payments. We have participated in the Interbank Data Telecommunication System, “Zengin Net”, from January 2009, and the volume and value of transactions have both begun to increase.

Other fees and commissions received were ¥43.8 billion, a decrease of 4.23% from ¥45.7 billion in the fiscal year ended March 31, 2009. This decrease resulted from declines in commissions from sales of Japanese Government Bonds received and in commissions received for ATM transaction services.

Fees and commissions paid were ¥22.3 billion, an increase of 5.14% from ¥21.2 billion in the fiscal year ended March 31, 2009. The increase was attributable to increases in fees and commissions on domestic and foreign exchange and in commissions paid for ATM transaction services.

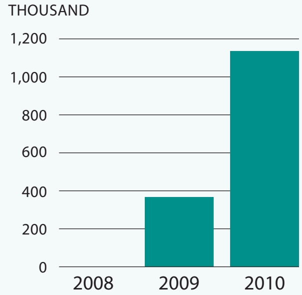
Investment Trusts Sales

(Contract basis) Net assets



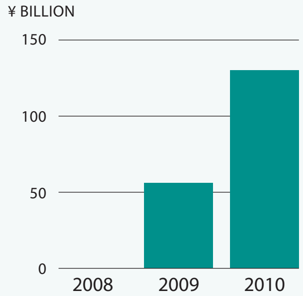
Credit Cards*2

Cards issued (outstanding)



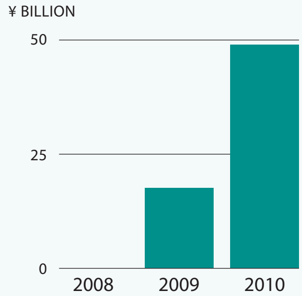
Mortgage Loans*2, 3

New credit extended
(as intermediary)(cumulative)



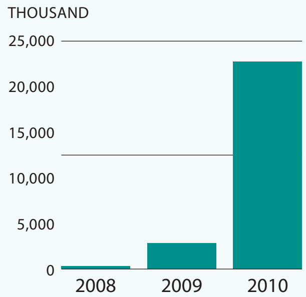
Variable Annuities Policies*2

Value of policies



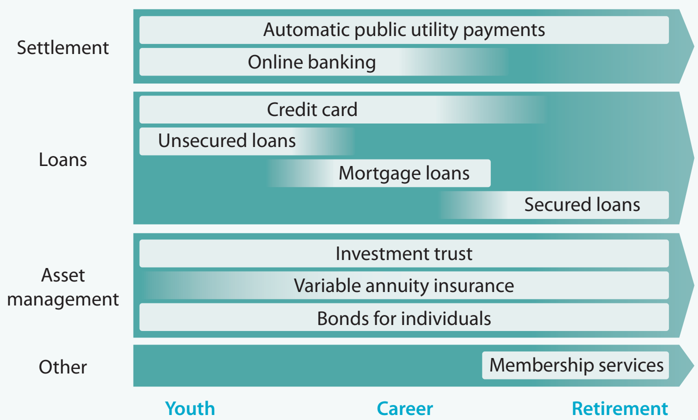
Domestic Exchanges

Mutual Remittances



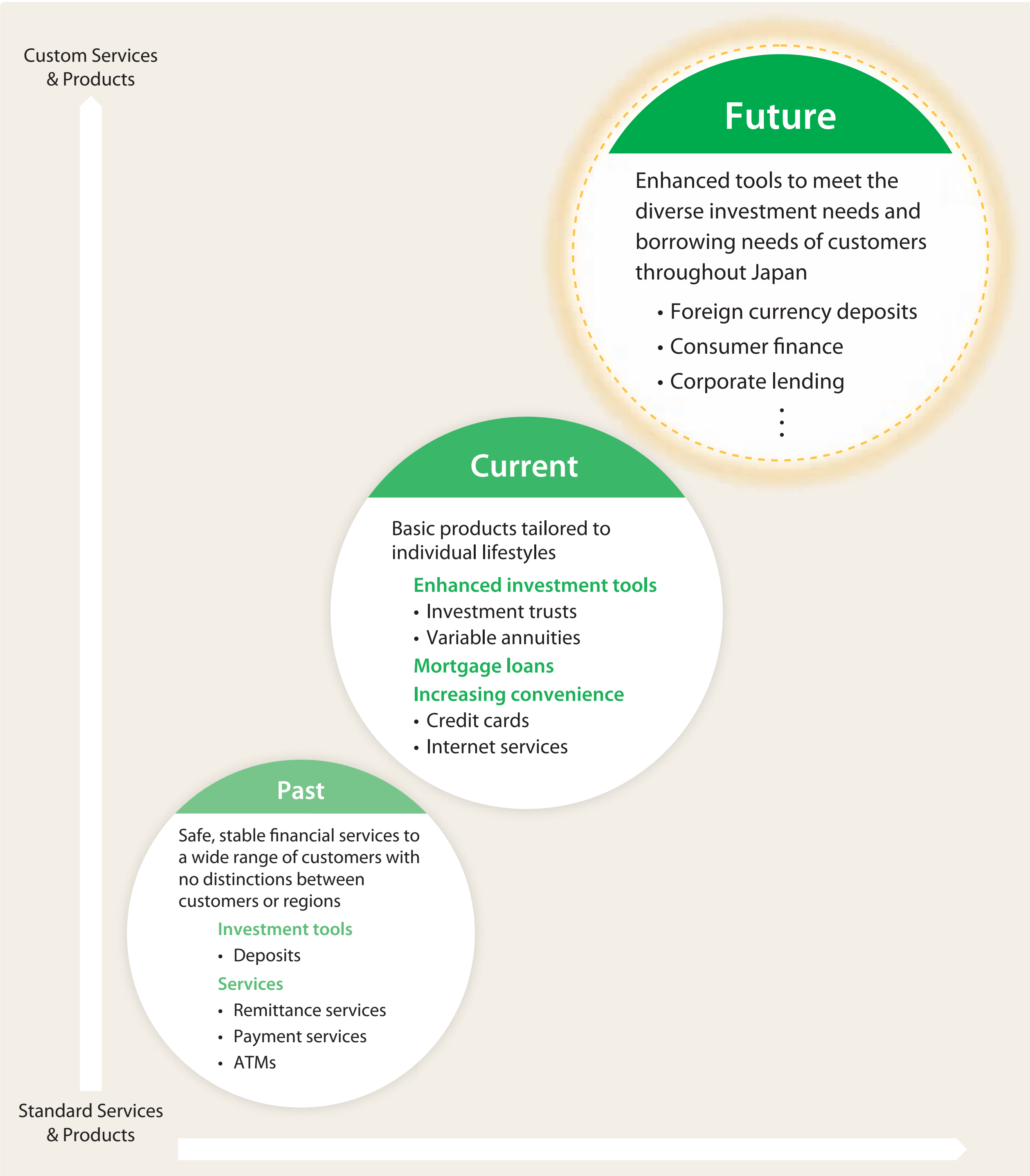
1. As of March 31
2. The Bank launched the credit card business on May 1, 2008, the mortgage loan intermediary business on May 12, 2008, and the variable annuity business on May 29, 2008.
3. The Bank acts as the intermediary for Suruga Bank Ltd.’s mortgage loan business.

Example of Services by Generation



Becoming a More Familiar, Trustworthy Bank

Prior to the incorporation of JAPAN POST in October 2007, we provided customers across Japan with basic retail financial services, regardless of type of customer or region. In addition to the sales of investment trusts handled prior to incorporation, the Bank offers individually tailored products including credit cards, variable annuities, and mortgage brokerage. Furthermore, in addition to its extensive physical branch network, the Bank has further increased convenience using IT systems, including Internet banking services and connection to the Interbank Data Telecommunication System "Zengin Net". JAPAN POST BANK will redouble its efforts going forward to further enhance its product lineup, investment tools and loan tools in order to become an even more familiar, trustworthy bank, while maintaining the services that customers have come to expect.



11,416
ELEMENTARY SCHOOLS
The number of elementary schools from which entries were received for the original piggy bank design contest sponsored by JAPAN POST BANK

Sustainability

To Earn Further Confidence as a Corporate Citizen

CSR

Basic Policy

JAPAN POST BANK has always held an especially important role in society, and accordingly the Bank considers CSR to be one of its most important management tasks. Moving forward, we will continue to implement a range of CSR activities as we work toward our goal of being "the most convenient and trustworthy bank in Japan". In doing so, we will focus on three key CSR themes—offering accessible services to everyone, contributing to society and regional communities, and protecting the environment.

Offering Accessible Services to Everyone

JAPAN POST BANK implements the following initiatives to ensure that customers who are senior citizens and those who are physically challenged can readily access the Bank's services.

1. Access to bank services for the visually impaired

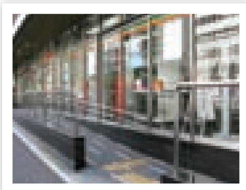
All of our ATMs are Braille-enabled and have voice guidance systems so that visually impaired customers can use them without constraint. We also provide Braille bank cards and documents, such as savings passbooks, automatic payment notices, and transfer notices to customers who require them.

On the front of Braille bank cards, the customer's name is displayed in Braille.

Telephone (handset)
Operating instructions and other guidance are provided by voice through the ATM handset.

2. Barrier-free facilities

Entrances and exits at branches have been fitted with ramps so that steps can be avoided and with handrails, thereby enabling senior citizens and people who are physically challenged to readily access bank services. In addition, Braille walkway blocks have been installed for visually challenged customers in ATM facilities and branches.



Barrier-free entrance

Braille guidance and Braille displays
In addition to providing Braille-based guidance, we also offer Braille displays that show transaction amounts via small pins that rise and fall.

3. Pension delivery service

We offer regular home delivery of pension payments for pension recipients who have difficulty in going to the Bank and picking up their pensions, such as senior citizens and customers who are physically challenged.

4. New Welfare Time Deposits

We offer time deposits with preferential interest rates for recipients of certain pensions and allowances, such as the disability basic pension, the basic pension for surviving family, and the child rearing allowance.

Contributing to Society and Local Communities

As a bank with close ties to society and deep roots in local communities, we are implementing a range of CSR activities through our operations.

1. "JAPAN POST BANK Deposits for International Aid"

This framework for social contribution donations enables people to easily participate by making donations of small amounts. Specifically, customers can donate 20% of the interest received on their savings (after-tax). Subsequently, through the Japan International Cooperation Agency (JICA) fund, these resources are used to support activities in such areas as reducing poverty and improving living standards in developing countries and regions through non-governmental organizations (NGOs). Since the program began in October 2008, a total of ¥1.01 million has been donated.

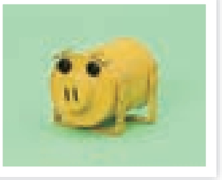
2. Free-of-charge money transfers for natural disaster relief donations

As support for victims of natural disasters, we offer free money transfers for relief donations sent to the Japanese Red Cross Society and local public agencies. In the fiscal year ended March 31, 2010, 22,636 donations totaling ¥340.8 million were made through this service.

3. Promoting saving and fostering creativity with an original piggy bank design contest for children

With the objectives of increasing children's interest in saving and fostering their artistic creativity, since 1975 we have sponsored an original piggy bank design contest for elementary school children throughout the country.

In the fiscal year ended March 31, 2010, we received 716,955 entries from 11,416 elementary schools. In addition, in the fiscal year ended March 31, 2010, to help the children that submitted entries develop a better understanding of the situation of children of the same age living in developing countries and think about international social contribution issues, in proportion to the number of entries received, the Bank donated a total of ¥7.16 million to the Japan Committee for UNICEF and JICA.



Piggy banks made by children

4. Special support for Go tournament

With the aims of supporting children with great promise, fostering exchange among generations, and activating local communities, the Bank provides special support for a Go tournament for children. Starting with the 13th tournament in the fiscal year ended March 31, 2010, the Bank supports the Junior Go Grand Master tournament, which determines the number one amateur Go player who is junior high school age or younger.

About 3,000 children across Japan participated in this tournament in the year under review.

Protecting the Environment

The JAPAN POST GROUP has formulated the "Environmental Vision", which identifies global warming and sustainable forests as two key environmental issues that it should address.

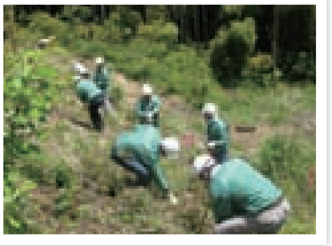
The Bank, meanwhile, has established the "JAPAN POST BANK Environmental Policy" and is implementing the following environmental conservation activities.

1. Participation in "Team Minus 6%"

We are participating in "Team Minus 6%", a project to achieve the Kyoto Protocol objective of a 6% reduction in greenhouse gas emissions. The entire JAPAN POST BANK Group is working together to support the reduction of greenhouse gas emissions.

2. "Japan Post Forest program" tree-planting activities

As one of the CSR activities undertaken by the JAPAN POST GROUP, the Bank is participating in the development of the "Japan Post Forest program" forest site through conducting tree planting and cultivation activities.



Employee volunteers planting trees

Corporate Governance

The JAPAN POST BANK has adopted the company with 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 Audit Committee, and the Compensation 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.

We have also appointed compliance officers in certain departments. These officers, who are independent from marketing and other functions, track progress in the implementation of compliance-related initiatives. Moreover, we have appointed a compliance manager in each department or branch. These managers are responsible for mentoring employees and promoting compliance.

Board of Directors and Three Statutory Committees

The JAPAN POST BANK Board of Directors has six members. Two of the directors also serve as Executive Officers, and the other four directors are External Directors.

The Board has three statutory committees—the Nomination Committee, the Audit Committee, and the Compensation Committee. External directors comprise a majority of the membership of these committees, which work together with the Board to oversee the Bank's operations.

Executive Officers, the Executive Committee, the Internal Control Committee, and the Special Committees

The Executive Officers, who are selected by the Board of Directors, are responsible for conducting business operations.

The Representative Executive Officers make full use of the authority and responsibility delegated to them by the Board of Directors in the conduct of business operations.

The Executive Committee and the Internal Control Committee have been established as advisory bodies to the Representative Executive Officers. The Executive Committee holds discussions on important business execution matters, and the Internal Control Committee holds discussions on legal, regulatory, and other compliance-related issues as well as other important internal control matters. The Compliance Committee, the Risk Management Committee, the Asset Liability Management (ALM) Committee, and the Corporate Social Responsibility (CSR) Committee assist the Executive Committee in matters requiring specialized discussions.

Roles of the 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.

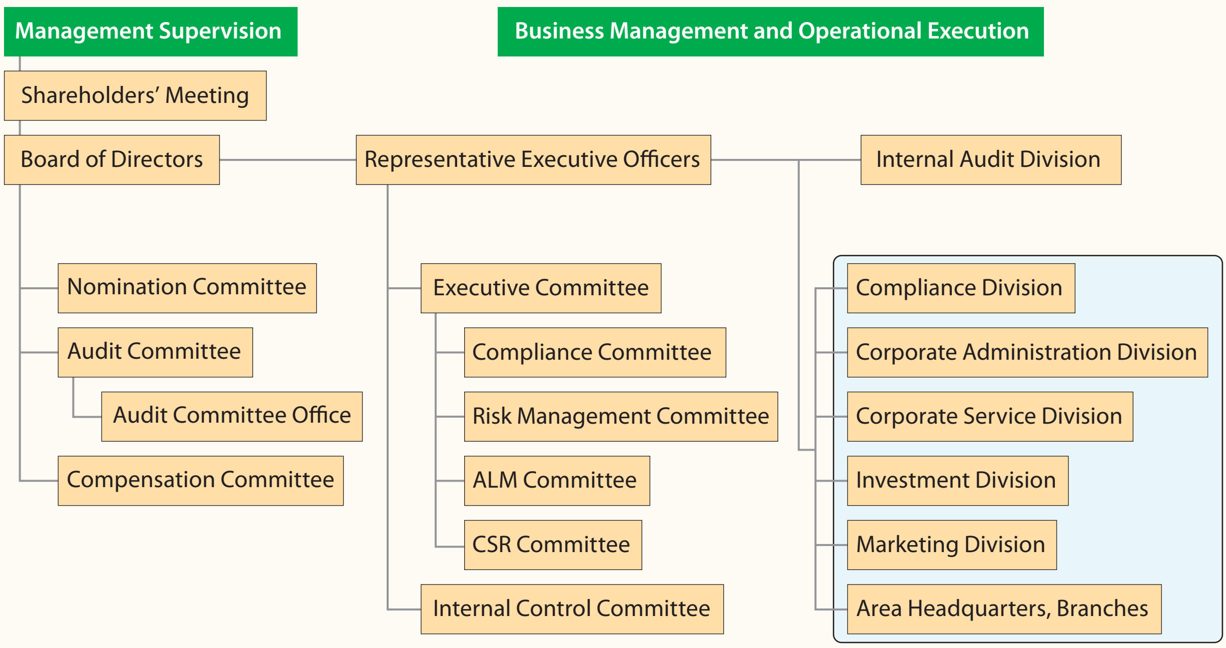
ALM Committee

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

CSR Committee

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

Governance System



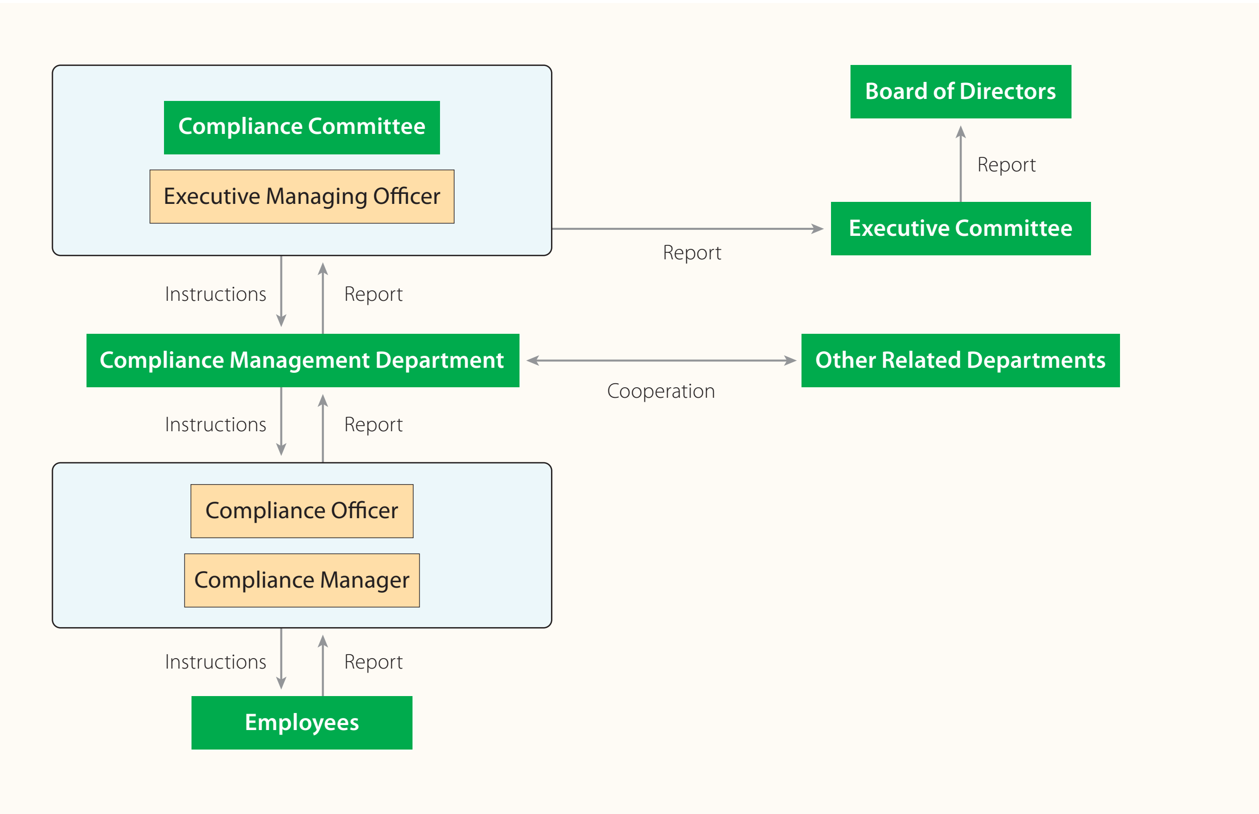
Compliance

Compliance System

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 one of our most important management issues. Accordingly, we conduct rigorous compliance activities.

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

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



Compliance Initiatives

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

In addition, the Bank has formulated the Compliance Manual, which serves as a guide to the Bank's approach to compliance and various compliance items. We fully utilize these manuals such as at training sessions for directors and employees to enhance awareness and understanding of their content. Each director and employee has received the Compliance Handbook, which contains the most important, baseline compliance items from the Compliance Manual that JAPAN POST BANK employees need to be aware of. In this way, the Bank further raises compliance awareness.

Furthermore, the Bank has established whistle-blower systems for compliance, both within and outside of the Bank. These systems can be used when employees encounter potential compliance violations or situations and they find it difficult to report to the person responsible for compliance in their office. In these situations, they can make reports directly through the whistle-blower systems. Through these systems, the Bank is working to prevent compliance violations from occurring and to quickly resolve any problems that may arise.

With these measures, the Bank has established a framework for effective compliance through the formulation of a clear-cut approach to compliance and the implementation of compliance promotion initiatives.

Internal Auditing

Internal Auditing

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

The Internal Audit Division conducts audits of head office divisions, area headquarters, branches, Administration Service Centers, Operation Support Centers, Seal Card Management Center, Data Centers, and other work sites. Through these audits, the division verifies the appropriateness and effectiveness of operational execution and internal control, including compliance and risk management.

In addition, the Internal Audit Division audits JAPAN POST NETWORK. 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 advice for correction and improvement, tracks the progress of improvement measures, and provides reports to the Representative Executive Officers, the Executive Committee, and the Audit Committee.

Risk Management

Advances in financial globalization and information technology have led to rapid growth in the diversity and complexity of banking operations, exposing financial institutions to a multitude of risks. We place a high priority on risk management and are taking steps to erect a 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 broadly classify and define risks into the following categories, and manage the risks according to their characteristics.

Risk Category		Risk Definition
Market risk		Risk associated with fluctuations in market conditions, such as interest rates, foreign exchange rates, and stock prices. The risk of losses arising from fluctuations in the values of assets and liabilities (including off-balance-sheet items) and the risk of losses arising from fluctuations in revenues and profits generated by assets and liabilities.
Market liquidity risk		The risk of losses arising from market disruptions that result in us being unable to conclude market transactions or having no choice but to conclude transactions at prices that are substantially worse than normal.
Funding liquidity risk		The risk of losses arising either from timing mismatches between funding requirements and fund-raising or from unpredictable fund outflows that make it difficult for us to obtain necessary funding or that result in us being obligated to raise funds at interest rates that are substantially higher than normal.
Credit risk		The risk of losses arising from deterioration in the value of assets (including off-balance-sheet assets) due to a decline in the financial condition of a borrower or counterparty.
Operational risk		The risk that losses will be incurred due to inadequate or failed internal processes, people and systems, or due to external events.
	Processing risk	The risk of losses arising from failed processing due to negligence, accidents, or fraud by officers or employees.
	IT system risk	The risk of losses arising from the failure of, the malfunctioning of, defects in, or unauthorized use of IT 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

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 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 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.

Allocation of risk capital is determined by the Representative Executive Officers following discussions in the ALM Committee and the Executive Committee.

Implementation of Basel II

The Basel Committee on Banking Supervision has set capital adequacy standards, which are international standards to ensure bank soundness. Basel II, a version of these standards that has been revised to more appropriately respond to risk conditions, has been applied in Japan since March 31, 2007.

Basel II is based on three pillars. Pillar 1 is minimum capital requirements. Pillar 2 is the assessment and management of risks faced by the business as a whole, including risks not addressed by Pillar 1 (such as interest rate risk in the banking book and credit concentration risk) and the determination of the amount of capital required for business management. Pillar 3 is market discipline allowing for market assessment through appropriate disclosures. We comply with all provisions of Basel II.

In calculating our capital adequacy ratio, we have adopted the standardized approach to calculate our credit risk-weighted assets, as well as a basic indicator approach to assess the capital requirements for operational risk. We have adopted special exemptions for market risk amounts.

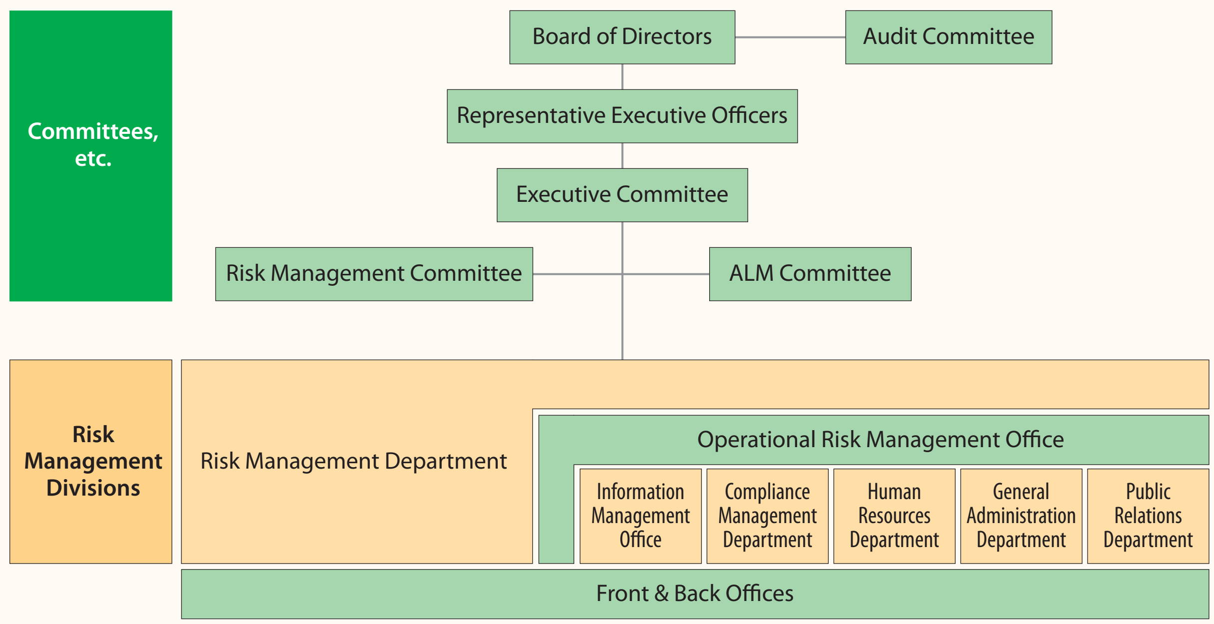
Risk Management System

We have established risk management entities for each risk category as well as the Risk Management Department, which is responsible for monitoring the risks within the risk categories 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 review 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



Board of Directors and Executive Officers

Board Members

Shigeo Kawa	Director, Chairman
Yoshiyuki Izawa	Director, President & CEO
Jiro Saito	Director (outside)
Fumio Masada	Director (outside)
Atsushi Kinebuchi	Director (outside)
Tomoyoshi Arita	Director (outside)

Nomination Committee

Jiro Saito	Chairman
Shigeo Kawa	
Yoshiyuki Izawa	
Fumio Masada	
Atsushi Kinebuchi	

Audit Committee

Tomoyoshi Arita	Chairman
Fumio Masada	
Atsushi Kinebuchi	

Compensation Committee

Jiro Saito	Chairman
Shigeo Kawa	
Yoshiyuki Izawa	
Fumio Masada	
Atsushi Kinebuchi	

Representative Executive Officers

Shigeo Kawa	Chairman
Yoshiyuki Izawa	President & CEO

Executive Officers

Tomohiro Yonezawa	Executive Vice President
Sumio Fukushima	Executive Vice President
Tomohisa Mase	Senior Managing Executive Officer
Toru Takahashi	Senior Managing Executive Officer
Hiroshi Yamada	Managing Executive Officer
Riki Mukai	Managing Executive Officer
Satoshi Hoshino	Managing Executive Officer
Susumu Tanaka	Managing Executive Officer
Masahiro Murashima	Managing Executive Officer
Hiroichi Shishimi	Managing Executive Officer
Kazuya Yamaguchi	Managing Executive Officer
Takashi Usuki	Executive Officer
Yoko Makino	Executive Officer
Kunihiko Amaha	Executive Officer
Osami Niihori	Executive Officer
Naoto Misawa	Executive Officer
Masaya Aida	Executive Officer
Masato Wakai	Executive Officer
Katsumi Amano	Executive Officer
Yoichi Uno	Executive Officer

Photo above, from left to right:
Tomoyoshi Arita, Fumio Masada, Yoshiyuki Izawa, Shigeo Kawa, Jiro Saito, Atsushi Kinebuchi

Financial Section

All numbers in this Annual Report are rounded down except where noted.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following section of this annual report for the fiscal year ended March 31, 2010 presents management's discussion and analysis of the financial condition and results of operations ("MD&A") of JAPAN POST BANK (the "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 non-consolidated financial statements and notes included elsewhere in this annual report.

Business Overview

The Bank began operating on October 1, 2007, but its operations trace back to 1875, when the Japanese postal savings services commenced. The Bank was established to succeed the operations of the savings services business as part of the privatization and spin-off plan for JAPAN POST'S four businesses – banking services, insurance services, postal services, and over-the-counter services – under the Postal Services Privatization Law.

Today, we have a network of 234 branches and about 24,000 post offices located throughout Japan. Through this network, we provide customers, principally individuals, with deposits accounts, settlement transactions, and other basic banking products and services. We have a large deposit base of approximately ¥175 trillion. We also operate approximately 26,000 ATMs. Supported by the extensive network of branches, post offices and ATMs, we offer our customers a level of convenience unparalleled by any other financial institution in Japan.

The Bank's fundamental business model is to "Collect funds via deposits from customers, invest those deposits in securities, primarily Japanese Government Bonds, and secure returns on investment". The Bank's balance sheet clearly reflects this distinctive business model. Deposits of roughly ¥175 trillion constitute approximately 94.5% of the Bank's liabilities, and approximately 91.5% of the Bank's assets, roughly ¥178 trillion, are investments in securities. Furthermore, most of these securities, representing approximately 80.0% of assets, are Japanese Government Bonds, while the remainder is also primarily low-risk securities.

Maintaining this network entails operational costs, but it is through this network that the Bank is able to secure a substantial amount of funds in a stable, cost effective manner. Even with investment mainly in Japanese Government Bonds, which offer zero credit risk but also low yield, the Bank generates stable profit. This is the Bank's distinctive business model.

Our major operations comprise deposit-taking, securities investment, syndicated loans and other lending, domestic and foreign exchanges, over-the-counter sales of Japanese Government Bonds and investment trusts, credit card operations, variable annuity insurance and other intermediary businesses.

Business Initiatives

Our management philosophy calls for being "the most convenient and trustworthy bank in Japan" and being guided by the needs and expectations of our customers. The Bank's management model targets the achievement of stable income and sustained growth through two key initiatives: developing our operations in both retail business and investment, and effectively utilizing our network of post offices.

We are working to bolster our marketing strategy, enhance our asset-liability management ("ALM") strategy, and strengthen our internal control systems.

Marketing Strategy

With respect to our marketing strategy, we have implemented a range of initiatives, improving:

- levels of customer satisfaction;
- the integration of marketing operations with JAPAN POST NETWORK Co., Ltd.;
- branch management and marketing capabilities; and
- our deposit base.

In the fiscal year ended March 31, 2010 ("fiscal 2010"), we took the following steps to increase customer satisfaction.

- In connection with the FIFA World Cup in 2010 and 2014, we entered into a sponsorship sub-licensing initiative with VISA Inc. This initiative, which principally targeted younger generations including recent workforce entrants, included the opportunity to win a trip to attend the 2010 FIFA World Cup in South Africa.
- We extended the period in which ATM fund transfers between JAPAN POST BANK accounts are free of charge. As a result, these transfers are free through September 2011.
- Our "Yucho Direct online banking services", which can be accessed through PCs and mobile devices, were enhanced with new services in May 2009.
- The "Yucho IC Cash Card Suica", which combines our bank card with the electronic money card, was introduced in April 2009.
- The range of countries and regions to which bank transfers are available has been expanded. Since April 2009, transfers can be made to 188 countries and regions. International transfers of U.S. dollar-denominated funds can be made to JAPAN POST BANK accounts, as of January 2010.
- We have installed ATMs at locations other than branches and post offices and extended ATM operating hours.

We have strengthened our integrated marketing operations with JAPAN POST NETWORK. Our relationship with JAPAN POST NETWORK is extremely important because the consigned banking agency operations of JAPAN POST NETWORK comprise almost all of our retail network. We have established joint cooperative marketing policies and objectives with JAPAN POST NETWORK for branches and agency offices on an area-by-area basis, to leverage the strengths of both companies.

To increase our deposit base, we have done the following:

- We offered promotional premium interest rates on deposits as well as special offers for customers receiving lump-sum retirement payments.
- We encouraged customers to select us as their main bank by promoting the use and membership of the JP Bank Card, a credit card. As a result, the number of issued cards surpassed one million in the fiscal year ended March 31, 2010.
- As another initiative to encourage customers to select us as their main bank, in April 2009 we launched the Yucho Nenkin Teiki, an investment product that earns premium interest rates on one-year time deposits. We have principally offered this product to customers who receive direct deposits of their pension payments through a JAPAN POST BANK account, and in connection with the member ship services "Yucho Tokimeki Club", through which customers with a Yucho Nenkin Teiki receive various benefits, such as service discounts and birthday presents.

ALM Strategy

To enhance our ALM strategy, we are implementing the following initiatives.

Interest income, principally from investment in Japanese Government Bonds, currently accounts for the majority of our earnings. We believe, however, that ensuring the stability of our earnings as part of sound bank management requires us to broaden our investment portfolio, which will diversify our business risk and revenue sources while appropriately controlling interest rate risk.

Specifically, we appropriately manage the duration of assets and liabilities under possible interest rate scenarios. Also, by taking steps to optimize our portfolio through diversified investment, we are working to secure income through credit investment and equity investment while controlling market risk and credit risk. In addition, as credit investment, we are investing in foreign securities, and to control foreign exchange fluctuation risk, we are implementing hedges in a flexible manner.

To do so we must first enhance our investment capabilities and the sophistication of our ALM system, we are hiring and training appropriate personnel and investing in appropriate IT infrastructure to that end.

Internal Control Systems

Our approach in strengthening our internal control systems has been based on the philosophy that rigorous compliance comprises the foundation for earning customers' continued trust. On that basis, we have worked to implement the following specific initiatives:

- Strengthen our control systems for compliance, administrative quality, and customer protection;
- Implement administrative reform and business process reengineering (BPR); and
- Upgrade our IT systems.

To strengthen control systems for compliance, administrative quality, and customer protection, we have taken the following steps:

- We established our Financial Crime Countermeasures Office in February 2010 to assume overall responsibility for our countermeasures against financial crime, such as fund transfer fraud and bank card counterfeiting, as well as against money laundering.
- We established our Information Control Office to take responsibility for customer information management. This includes ensuring compliance with customer information management rules and ensuring personal information protection and information security.
- We have worked to implement J-SOX regulations from fiscal 2008 for strengthening our control systems of the reliability of our financial reporting. In fiscal 2010, in regard to internal controls over financial reporting, the Bank continued to assess facility status and implementation status from four major perspectives-company-level internal controls, settlement and financial reporting processes, administrative processing controls, and overall IT controls.

For administrative efficiency and BPR, we implemented the following initiatives:

In branches, we have reduced customer waiting times and increased the efficiency of branch administrative tasks by introducing improvements such as specialized teller windows, concierge support to help customers fill out forms before they reach the teller window, and a system for the provision of support to teller windows by employees working in the back office. We have also improved the flow of employee movements by changing the layout of non-customer-contact areas.

We are upgrading our IT systems, as we develop our next integrated information processing system as well as a new financial accounting system. We have also developed market transaction management systems, beginning operations in May 2010.

Business Environment

Financial and Economic Environment

In response to the worldwide financial crisis that followed the bankruptcy of Lehman Brothers in fiscal 2009, national governments and central banks around the world implemented aggressive monetary and fiscal policies. These policies began to take effect in fiscal 2010, as economic conditions in many countries gradually recovered from the worst of the crisis.

In Japan, business conditions also began to steadily pick up, against a background of improvement in the global economy and the effects of fiscal policies. As corporate results continued to improve, real GDP showed growth in the April–June quarter of 2009 for the first time in five quarters, and subsequently was steady. According to the Bank of Japan's Senior Loan Officer Opinion Survey on Bank Lending Practices at Large Japanese Banks, the diffusion index ("DI") for demand for loans from firms was negative for fiscal 2010, and it remains weak. One negative indication is that the general consumer price index ("CPI") showed deflation throughout the three-quarter period from April to December of 2009. In the January–March quarter of 2010, however, these indicators were mostly positive.

In Japan, a stronger emphasis on deposits in individual financial assets has resulted from the financial crisis. Deposits at the 120 members of the Japanese Bankers Association recorded a year-on-year gain of 2.5%, or ¥13,677.9 billion, during the fiscal year ended March 31, 2009. The need for safe assets remains strong. However, investment in risk assets also shows signs of increasing. According to the Bank of Japan's flow of funds accounts, the holdings of investment trusts in individual financial assets, which declined substantially in fiscal 2009, showed signs of growth in fiscal 2010.

In financial and capital markets, the yield on 10-year Japanese Government Bonds rose to approximately mid 1.5% in June 2009. The yield fell below 1.2% in December 2009 against a background of similar long-term interest rate trends in the United States and the introduction of ¥10 trillion in new lending by the Bank of Japan that resulted in additional liquidity. Subsequently, with stock prices rising, the yield recovered to about 1.4% in March 2010.

In the stock market, the Nikkei 225 bottomed out at ¥8,085 on April 1, 2009, but it climbed back up to the ¥11,000 range in March 2010 for the first time in 17 months.

In foreign exchange markets, the yen-dollar rate was approximately ¥101 in April 2009. The yen subsequently appreciated. In November 2009, fears that Dubai World would default on its debts resulted in rapid appreciation of the yen against the dollar, reaching about ¥84 per U.S. dollar for the first time in more than 14 years. The yen then depreciated somewhat, reaching ¥93 per U.S. dollar in March 2010.

Results of Operations

FINANCIAL PERFORMANCE OF JAPAN POST BANK

	Millions of yen		
	Fiscal 2010	Fiscal 2009	Difference
Gross operating profit:	**¥1,710,447**	¥1,746,765	¥ (36,317)
Net interest income	**1,621,305**	1,655,330	(34,024)
Net fees and commissions	**86,162**	91,096	(4,933)
Net other operating income (loss)	**2,979**	338	2,640
General and administrative expenses (excluding non-recurring losses):	**1,221,290**	1,266,162	(44,872)
Personnel expenses	**114,704**	109,562	5,142
Non-personnel expenses	**1,035,143**	1,082,643	(47,500)
Taxes	**71,441**	73,956	(2,514)
Operating profit (before provision for (reversal of) general reserve for possible loan losses)	**489,157**	480,602	8,554
Net operating profit	**489,032**	480,602	8,430
Non-recurring gains (losses)	**5,219**	(95,358)	100,578
Net ordinary income	**494,252**	385,243	109,008
Extraordinary income (loss)	**(801)**	(1,030)	228
Income before income taxes	**493,450**	384,213	109,237
Net income	**¥ 296,758**	¥ 229,363	¥ 67,395

MD&A

Financial Statements

Financial Data

NET OPERATING PROFIT

In fiscal 2010, gross operating profit was ¥1,710.4 billion, a decline of 2.07% from ¥1,746.7 billion in fiscal 2009. This decrease was attributable to a decline in interest income, which decreased due to lower interest rates and to a decrease in the average balance of interest-earning assets. The yield spread, which is the difference between the rate of interest earned on average interest-earning assets, primarily securities, and the rate of interest paid on average interest-bearing liabilities, primarily deposits, was unchanged from the previous fiscal year.

Net operating profit was ¥489.0 billion, an increase of 1.75% from ¥480.6 billion in fiscal 2009. The increase was due to a 3.54% reduction in general and administrative expenses.

Net income was ¥296.7 billion, an increase of 29.38% from ¥229.3 billion in fiscal 2009. As a result of recovery in the financial environment, we recorded a gain on money held in trust. This gain, which was in contrast with a loss in the previous fiscal year, led to the increase in net income.

NET INTEREST INCOME

Net interest income was ¥1,621.3 billion, a decrease of 2.05% from ¥1,655.3 billion in fiscal 2009.

Interest income was ¥2,066.0 billion, a decline of 10.55% from ¥2,309.9 billion in fiscal 2009. The decline was primarily attributable to a decrease in the interest on deposits (to the fiscal loan fund), from ¥254.7 billion in the previous fiscal year to ¥86.1 billion in the year under review, and to a drop in interest due from banks, from ¥40.4 billion in fiscal 2009 to ¥6.8 billion in fiscal 2010. Interest on securities was down 1.02% year on year, to ¥1,920.9 billion.

The average balance of interest-earning assets was ¥188,531.9 billion, a decrease of ¥12,721.3 billion from ¥201,253.3 billion in fiscal 2009. The decrease was principally due to the result of declines in deposits (to the fiscal loan fund) and in due from banks. The earnings yield on interest-earning assets was 1.09%, a decline of five basis points from fiscal 2009. This decrease reflects a contraction in deposits (to the fiscal loan fund), which have a higher earnings yield than securities. However, the yield on loans was 1.20%, an increase of one basis point from 1.18% in fiscal 2009.

Interest expenses were ¥444.7 billion, down 32.05% from ¥654.5 billion in fiscal 2009. This decline was attributable to a decrease in the balance of borrowed money.

The average balance of interest-bearing liabilities was ¥180,535.1 billion, a decline of ¥12,995.7 billion from ¥193,530.9 billion in fiscal 2009. This decrease reflected declines in borrowed money and deposits. The interest rate on interest-bearing liabilities was 0.24%, down nine basis points from fiscal 2009. The major factor behind the decline was a contraction in the balance of borrowed money. The interest rate on deposits declined one basis point, to 0.19%, from 0.20% in fiscal 2009.

The spread between interest-earning assets and interest-bearing liabilities was 0.84%, an increase of three basis points from fiscal 2009. This increase was attributable to the declines in borrowed money and deposits (to the fiscal loan fund), excluding the amount equivalent to borrowed money. Each of these carries high interest rates, but the decline in borrowed money had a greater influence, and consequently, the spread between interest-earning assets and interest-bearing liabilities increased. The yield spread excluding deposits (to the fiscal loan fund) and borrowed money was 0.87%, the same as in fiscal 2009. The yield spread between securities and deposits, which are respectively the major components of our assets and liabilities, was 0.89%, nearly the same as the previous fiscal year's level of 0.90%.

* Prior to the reforms to national investments and loans in the fiscal year ended March 31, 2002, all postal savings had to be deposited with the Ministry of Finance. These funds that were deposited with the Ministry of Finance up through the fiscal year ended March 31, 2001 constitute deposits (to the fiscal loan fund). Borrowed money constitutes funds that postal savings operations borrowed back from the Ministry of Finance for a 10-year term. The balance of deposits (to the fiscal loan fund) and borrowed money has been equivalent since the fiscal year ended March 31, 2009 and will fall to zero by March 31, 2011. Formerly, deposits (to the fiscal loan fund) included funds that were deposited for seven years in addition to those funds that were deposited for ten years. The seven-year deposits (to the fiscal loan fund) earned a higher interest rate than the borrowed rate. These seven-year deposits were redeemed in the fiscal year ended March 31, 2008.

Net Interest Income

	Millions of yen		
	Fiscal 2010	Fiscal 2009	Difference
Net interest income:	¥1,621,305	¥1,655,330	¥ (34,024)
Interest income	2,066,088	2,309,926	(243,837)
Interest expenses	¥ 444,783	¥ 654,596	¥(209,813)

Note: Interest expenses exclude expenses corresponding to money held in trust, which for fiscal 2010 were ¥2,934 million and for fiscal 2009 were ¥2,425 million.

Yields on Interest-Bearing Assets and Interest Rates on Interest-Bearing Liabilities

	Millions of yen, %					
	Fiscal 2010			Fiscal 2009		
	Average balance	Interest	Earnings yield (%)	Average balance	Interest	Earnings yield (%)
Interest-earning assets:	¥188,531,935	¥2,066,088	1.09	¥201,253,306	¥2,309,926	1.14
Loans	3,977,793	47,819	1.20	3,820,816	45,185	1.18
Securities	175,880,847	1,920,979	1.09	174,294,416	1,940,865	1.11
Deposits (to the fiscal loan fund)	4,452,931	86,123	1.93	14,606,904	254,746	1.74
Due from banks, etc.	4,157,796	6,824	0.16	7,905,353	40,455	0.51
Interest-bearing liabilities:	180,535,198	444,783	0.24	193,530,970	654,596	0.33
Deposits	177,115,167	343,368	0.19	179,573,276	373,863	0.20
Borrowed money	¥ 4,452,931	¥ 86,161	1.93	¥ 14,606,904	¥ 255,091	1.74

Note: The average balances and interest corresponding to money held in trust are excluded, and as a result the totals do not equal the sum of the components.

NET FEES AND COMMISSIONS

Net fees and commissions were ¥86.1 billion, a decrease of 5.41% from ¥91.0 billion in fiscal 2009.

Fees and commissions received were ¥108.4 billion, a 3.41% decline from ¥112.3 billion in fiscal 2009. This decline was attributable to a decrease in fees and commissions on domestic and foreign exchange, to lower sales of Japanese Government Bonds, and to lower commissions from ATM transaction services.

Fees and commissions received included ¥64.6 billion of fees and commissions on domestic and foreign exchange, a decline of 2.85% from ¥66.5 billion in fiscal 2009. The decline was attributable to lower commissions on transfer deposits due to such factors as a reduction in commissions on utility and tax payments. We have participated in the Interbank Data Telecommunication System ("Zengin Net") since January 2009, and the volume and value of transactions have both begun to increase.

Other fees and commissions received were ¥43.8 billion, a decrease of 4.23% from ¥45.7 billion in fiscal 2009. This decrease resulted from declines in commissions from sales of Japanese Government Bonds received and in commissions received for ATM transaction services. Sales of investment trusts were sluggish, and this business was weaker than expected.

Fees and commissions paid were ¥22.3 billion, an increase of 5.14% from ¥21.2 billion in fiscal 2009. The increase was attributable to increases in fees and commissions on domestic and foreign exchange and in commissions paid for ATM transaction services.

Net Fees and Commissions

	Millions of yen		
	Fiscal 2010	Fiscal 2009	Difference
Net fees and commissions:	¥ 86,162	¥ 91,096	¥(4,933)
Fees and commissions received	108,493	112,334	(3,840)
Fees and commissions paid	¥ 22,331	¥ 21,238	¥ 1,093

NET OTHER OPERATING INCOME (LOSS)

Net other operating income was ¥2.9 billion, compared with ¥0.3 billion in fiscal 2009.

Gains on bond trading increased by ¥11.4 billion, from ¥0.1 billion in fiscal 2009 to ¥11.6 billion. On the other hand, foreign exchange losses increased by ¥8.1 billion, from ¥0.5 billion in fiscal 2009 to ¥8.6 billion in fiscal 2010, due to the difference between domestic and international interest rates and to higher hedging costs due to an increase in hedge transactions.

Net Other Operating Income (Loss)

	Millions of yen		
	Fiscal 2010	Fiscal 2009	Difference
Net other operating income (loss):	¥ 2,979	¥ 338	¥ 2,640
Other operating income	13,058	53,791	(40,732)
Other operating expenses	¥10,079	¥53,452	¥(43,372)

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses (including non-recurring losses) were ¥1,221.0 billion, a decrease of 3.56% from ¥1,266.2 billion in fiscal 2009. The decrease was due to declines in non-personnel expenses and in taxes and dues, which offset an increase in personnel expenses.

Personnel expenses were ¥114.4 billion, an increase of 4.45% from ¥109.6 billion in fiscal 2009. The increase was due to the transfer of employees from JAPAN POST NETWORK, which raised our total number of employees.

Non-personnel expenses were ¥1,035.1 billion, a decrease of 4.38% from ¥1.082.6 billion in fiscal 2009. Non-personnel expenses accounted for 84.77% of general and administrative expenses.

Components of non-personnel expenses included payments for commissioned services for JAPAN POST NETWORK of ¥632.5 billion. Those payments were determined by the level of deposits and other performance measurements that were set at the beginning of the fiscal year. There was a decrease of 2.40% from ¥648.1 billion in fiscal 2009. The decline was mainly the result of decreases in deposit balances and fees and commissions. These are the basis for determining payments for commissioned services.

We pay subsidies to JAPAN POST HOLDINGS Co., Ltd. in accordance with Article 122 of the Postal Service Privatization Law. The subsidies paid to JAPAN POST HOLDINGS are determined based on the size of the deposits, which are government-guaranteed time deposits that were acquired before our incorporation.

Total deposit insurance premiums and expenses were ¥147.4 billion, a decrease of 3.33% from ¥152.5 billion in fiscal 2009.

Non-personnel expenses other than the above were ¥255.1 billion, a decrease of 9.52% from ¥281.9 billion in fiscal 2009. The decline was attributable to our efforts to reduce costs, which resulted in decreases in expenses on consigned businesses, depreciation and amortization, communication and transportation expenses, and other expenses.

Taxes and dues were ¥71.4 billion, a decrease of 3.40% from ¥73.9 billion in fiscal 2009. The figure includes mainly consumption, stamp, enterprise, and fixed asset taxes, in addition to consumption taxes related to payments on commissioned services for JAPAN POST NETWORK.

General and Administrative Expenses

	Millions of yen		
	Fiscal 2010	Fiscal 2009	Difference
Personnel expenses:	¥ 114,490	¥ 109,605	¥ 4,885
Salaries and allowances	106,479	101,590	4,889
Others	8,011	8,014	(3)
Non-personnel expenses:	1,035,143	1,082,643	(47,500)
Payments for commissioned services for JAPAN POST NETWORK Co., Ltd.	632,587	648,147	(15,560)
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd.	73,008	97,732	(24,724)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	74,401	54,768	19,633
Rent for land, buildings and others	11,499	10,960	538
Expenses on consigned businesses	86,655	90,100	(3,445)
Depreciation and amortization	45,083	54,797	(9,714)
Communication and transportation expenses	23,363	23,809	(445)
Maintenance expenses	16,781	10,023	6,758
Others	71,762	92,303	(20,540)
Taxes and dues	71,441	73,956	(2,514)
Total	¥1,221,076	¥1,266,205	¥(45,129)

NON-RECURRING GAINS (LOSSES)

In fiscal 2010, non-recurring gains were ¥5.2 billion, an improvement of ¥100.5 billion from the non-recurring losses of ¥95.3 billion in fiscal 2009. Our investments in equities through money held in trust gained due to the recovery in the stock market. These gains exceeded impairment losses of ¥8.2 billion, and as a result gains on money held in trust were ¥2.3 billion. By comparison, in fiscal 2009, losses on money held in trust were ¥100.2 billion.

Non-Recurring Gains (Losses)

	Millions of yen		
	Fiscal 2010	Fiscal 2009	Difference
Non-recurring gains (losses):	¥5,219	¥ (95,358)	¥100,578
Gains (losses) on money held in trust	2,377	(100,200)	102,578
Other non-recurring gains (losses)	¥2,842	¥ 4,842	¥ (1,999)

Financial Condition

ASSETS

	Millions of yen		
	As of March 31, 2010	As of March 31, 2009	Y-o-Y change
Cash and due from banks	¥ 4,440,804	¥ 5,999,116	¥(1,558,311)
Call loans	261,649	51,184	210,465
Receivables under securities borrowing transactions	2,495,622	725,786	1,769,836
Monetary claims bought	124,082	66,409	57,673
Trading account securities	196	159	37
Money held in trust	1,015,355	1,224,742	(209,386)
Securities	178,230,687	173,551,137	4,679,549
Loans	4,022,547	4,031,587	(9,039)
Foreign exchanges	5,860	9,872	(4,011)
Other assets	3,902,137	10,480,635	(6,578,498)
Tangible fixed assets	142,032	170,392	(28,360)
Intangible fixed assets	38,931	29,586	9,344
Deferred tax assets	—	141,273	(141,273)
Reserve for possible loan losses	(1,556)	(1,087)	(468)
Total assets	¥194,678,352	¥196,480,796	¥(1,802,444)

TOTAL ASSETS

As of March 31, 2010, total assets were ¥194,678.3 billion, a decline of ¥1,802.4 billion, or 0.91%, from ¥196,480.7 billion as of March 31, 2009. The decrease was attributable to a ¥6,700.0 billion year-on-year decline in deposits (to the fiscal loan fund), which are included in other assets.

CASH AND DUE FROM BANKS, CALL LOANS, AND OTHERS

Cash was ¥117.5 billion, a decline of ¥7.1 billion, or 5.72%, from ¥124.6 billion as of March 31, 2009.

Due from banks was ¥4,323,2 billion, a decrease of ¥1,551.1 billion, or 26.40%, from ¥5,874.4 billion as of March 31, 2009. The balance of call loans was ¥261.6 billion, an increase of ¥210.4 billion, or 411.19%, from ¥51.1 billion as of March 31, 2009. We limited the provision of short-term funds in consideration of the credit situation.

MONEY HELD IN TRUST

Money held in trust amounted to ¥1,015.3 billion, a decrease of ¥209.3 billion, or 17.09%, from ¥1,224.7 billion as of March 31, 2009. Investments in equities through money held in trust were aimed at diversifying income sources and associated risk.

Unrealized gains on money held in trust were ¥71.3 billion, an improvement of ¥265.4 billion from the unrealized losses on money held in trust in fiscal 2009, reflecting a recovery in stock market prices.

UNREALIZED GAINS (LOSSES) ON MONEY HELD IN TRUST

Other money held in trust (excluding assets classified for trading purposes or held to maturity) as of March 31, 2010 and 2009 consisted of the following:

Millions of yen					
As of March 31, 2010			As of March 31, 2009		
Acquisition costs (A)	Balance sheet amount (B)	Difference (B)–(A)	Acquisition costs (A)	Balance sheet amount (B)	Difference (B)–(A)
¥944,044	¥1,015,355	¥71,311	¥1,418,878	¥1,224,742	¥(194,135)

Note: The balance sheet amount is stated at the average market price of the final month (March) of the fiscal year for equity securities and at the market price at the balance sheet date for other securities.

SECURITIES

The balance of securities as of March 31, 2010 was ¥178,230.6 billion, an increase of ¥4,679.5 billion, or 2.69%, from ¥173,551.1 billion as of March 31, 2009.

The balance of Japanese Government Bonds was ¥155,891.5 billion, an increase of ¥401.4 billion, or 0.25%, from ¥155,490.1 billion as of March 31, 2009. The increase in the balance was attributable to the reinvestment in Japanese Government Bonds of cash collateral received under repurchase agreements.

As in the previous year, we aggressively purchased Japanese local government bonds, but redemptions of bonds purchased in fiscal 1999 and 2000, when the yield on Japanese Government Bonds declined substantially, were concentrated in fiscal 2010 and fiscal 2009. As a result, the balance of these bonds declined. As of March 31, 2010, Japanese local government bonds amounted to ¥5,289.2 billion, a decline of ¥888.0 billion, or 14.37%, from March 31, 2009.

To diversify our sources of income, we increased the amount invested in Japanese corporate bonds and foreign securities. Japanese corporate bonds amounted to ¥11,916.2 billion, increasing ¥2,035.8 billion, or 20.60%, from March 31, 2009. Other securities, which mainly consist of foreign securities, were ¥4,767.7 billion, an increase of ¥3,308.2 billion, or 226.67%, from March 31, 2009. Foreign securities investments consist primarily of yen-denominated domestic bonds of foreign issuers (Samurai bonds). Yen-denominated bonds were ¥2,542.0 billion, an increase of ¥1,343.3 billion from March 31, 2009. U.S. dollar-denominated bonds were ¥873.8 billion, compared with a balance of zero at March 31, 2009. Euro-denominated bonds were ¥298.1 billion, an increase of ¥212.3 billion from March 31, 2009.

The ¥900 million investment in stocks consists of an investment in SDP Center Co., Ltd., an affiliated company to which we started outsourcing mortgage intermediary operations in fiscal 2009.

Securities

	Millions of yen		
	As of March 31, 2010	As of March 31, 2009	Y-o-Y change
Securities:	¥178,230,687	¥173,551,137	¥4,679,549
Japanese Government Bonds	155,891,563	155,490,155	401,407
Japanese local government bonds	5,289,202	6,177,212	(888,009)
Commercial paper	364,959	542,904	(177,944)
Japanese corporate bonds	11,916,270	9,880,462	2,035,808
Stocks	900	900	–
Other securities	¥ 4,767,791	¥ 1,459,503	¥3,308,288

Unrealized gains (losses) on held-to-maturity securities increased to ¥3,025.3 billion, and the fair value of held-to-maturity securities reached ¥130,899.2 million. Unrealized gains on available-for-sale securities increased to ¥573.7 billion, and the balance sheet amount of available-for-sale securities reached ¥51,559.9 billion. The increases in unrealized gains were attributable to the following factors. In comparison with March 31, 2009, long-term interest rates were up, but the yield on medium-term Japanese Government Bonds declined.

Unrealized Gains (Losses) on Securities

Held-to-maturity securities whose fair value is available as of March 31, 2010 and 2009 consisted of the following:

		Millions of yen		
		As of March 31, 2010		
Type		Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	¥116,086,507	¥118,889,842	¥2,803,334
	Japanese local government bonds	3,711,605	3,815,934	104,329
	Japanese corporate bonds	5,877,246	5,999,049	121,802
	Others	22,129	26,744	4,615
	Total	125,697,488	128,731,570	3,034,082
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	1,750,154	1,743,161	(6,992)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	426,260	424,514	(1,746)
	Others	—	—	—
	Total	2,176,414	2,167,676	(8,738)
Total		¥127,873,903	¥130,899,246	¥3,025,343

		Millions of yen		
		As of March 31, 2009		
Type		Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	¥119,610,125	¥121,953,899	¥2,343,773
	Japanese local government bonds	5,030,799	5,109,352	78,553
	Japanese corporate bonds	5,009,699	5,085,234	75,535
	Others	—	—	—
	Total	129,650,625	132,148,487	2,497,861
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	3,924,194	3,877,194	(47,000)
	Japanese local government bonds	248,206	246,607	(1,598)
	Japanese corporate bonds	542,780	541,079	(1,701)
	Others	—	—	—
	Total	4,715,181	4,664,881	(50,300)
Total		¥134,365,807	¥136,813,368	¥2,447,561

Available-for-sale securities with market values consisted of the following:

		Millions of yen		
		As of March 31, 2010		
	Type	Amount on the balance sheet	Fair value	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds			
	Japanese Government Bonds	¥28,143,112	¥27,786,574	¥356,538
	Japanese local government bonds	1,462,406	1,426,534	35,872
	Japanese corporate bonds	5,179,572	5,077,966	101,606
	Others	4,126,931	4,031,855	95,075
	Total	38,912,023	38,322,930	589,093
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds			
	Japanese Government Bonds	9,911,789	9,915,754	(3,965)
	Japanese local government bonds	115,190	115,548	(357)
	Japanese corporate bonds	798,149	799,353	(1,203)
	Others	1,822,814	1,832,626	(9,811)
	Total	12,647,943	12,663,282	(15,339)
Total		¥51,559,967	¥50,986,213	¥573,754

		Millions of yen		
		As of March 31, 2009		
	Type	Amount on the balance sheet	Fair value	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds			
	Japanese Government Bonds	¥19,367,401	¥19,130,501	¥236,899
	Japanese local government bonds	735,574	725,668	9,905
	Japanese corporate bonds	3,028,638	2,998,834	29,804
	Others	542,370	533,012	9,357
	Total	23,673,984	23,388,016	285,967
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds			
	Japanese Government Bonds	12,588,434	12,660,137	(71,702)
	Japanese local government bonds	162,631	163,347	(715)
	Japanese corporate bonds	1,299,343	1,310,265	(10,921)
	Others	983,542	1,020,488	(36,946)
	Total	15,033,951	15,154,238	(120,287)
Total		¥38,707,936	¥38,542,255	¥ 165,680

LOANS

The balance of outstanding loans was ¥4,022.5 billion, a decrease of ¥9.0 billion, or 0.22%, from ¥4,031.5 billion as of March 31, 2009. This decrease was attributable to a decline in loans to the Management Organization for Postal Savings and Postal Life Insurance, an incorporated administrative agency that manages the savings and life insurance policies taken over from JAPAN POST. These loans, which were mainly loans provided as part of the government's national investment and loans to Japanese local government, are expected to continue to decline in the future. On the other hand, our loans to local governments increased year on year.

Under current regulation, we are not allowed to provide loans directly to corporations. In addition, the mortgage loan business in fiscal 2009 and fiscal 2010 was an intermediary operation that was operated through Suruga Bank Ltd.; we can not make direct mortgage loans.

Loans to corporations are syndicated loans and loans purchased on secondary markets. We commenced these activities in December 2007 after receiving governmental approval. We have increased the amount of these loans as part of proactive measures to diversify our sources of income.

All of our loans are classified as normal loans. We do not hold any non-performing loans classified as problem assets under the Financial Reconstruction Law.

Loans by Industry

	Millions of yen, %				
	As of March 31, 2010		As of March 31, 2009		Y-o-Y change
	Amount	Composition ratio	Amount	Composition ratio	Amount
Agriculture, forestry, fishing and mining	—	—	—	—	—
Manufacturing	¥ 132,666	3.29	¥ 190,182	4.71	¥ (57,515)
Utilities, information/communications, and transportation	178,115	4.42	201,651	5.00	(23,536)
Wholesale and retail	32,038	0.79	18,392	0.45	13,645
Finance and insurance	3,175,974	78.95	3,414,775	84.70	(238,800)
Construction and real estate	34,388	0.85	50,681	1.25	(16,293)
Services and rental	35,500	0.88	10,200	0.25	25,299
National and local governments	284,445	7.07	51,381	1.27	233,063
Others	149,420	3.71	94,323	2.33	55,096
Total	¥4,022,547	100.00	¥4,031,587	100.00	¥ (9,039)

Loans to Individuals and Small and Midsize Enterprises

	Millions of yen, %		
	As of March 31, 2010	As of March 31, 2009	Y-o-Y Change
Total loans (A)	¥4,022,547	¥4,031,587	¥(9,039)
Loans to individuals and small and midsize enterprises (B)	114,899	67,323	47,576
(B) /(A)	2.85	1.66	1.18

Note: Individuals and small and midsize enterprises are defined as companies with capital of ¥300 million or less (¥100 million or less for wholesalers and ¥50million or less for retail and service businesses) or those 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.

Disclosures Under the Financial Reconstruction Law

	Millions of yen, %		
	As of March 31, 2010	As of March 31, 2009	Y-o-Y change
Loans to borrowers classified as bankrupt or quasi-bankrupt	—	—	—
Loans to borrowers classified as doubtful	—	—	—
Loans requiring close monitoring	—	—	—
Subtotal (A)	—	—	—
Loans to borrowers classified as normal	¥4,030,715	¥4,042,904	¥(12,189)
Total (B)	¥4,030,715	¥4,042,904	¥(12,189)
Non-performing loan ratio (A) / (B)	—	—	—

DEPOSITS (TO THE FISCAL LOAN FUND)

Deposits (to the fiscal loan fund) account for the largest proportion of other assets. The outstanding balance was ¥2.0 trillion as of March 31, 2010, a decline of ¥6.7 trillion, or 77.01%, from March 31, 2009. Deposits (to the fiscal loan fund) are deposits that were made to the Ministry of Finance prior to the reforms to the Japanese government's national investment and loan program in the fiscal year ended March 31, 2002. No additional deposits have been made subsequent to these reforms. The current balance is equivalent to borrowed money, included in liabilities, and will fall to zero by March 31, 2011.

SECURITIZED PRODUCTS

Our holdings of securitized products were as follows.

Our holdings of securitized products entailed exposure only as the end-investor; we had no exposure as originator and no exposure to special purpose enterprises (SPEs) for which scope of consolidation must be considered.

There were no impairment losses or losses on sales of securitized products in the fiscal year ended March 31, 2010.

(1) Securitized Products

Billions of yen, %

	As of March 31, 2010			
	Acquisition cost (A)	Net unrealized gains (losses) (B)	(B) / (A)	Credit ratings
Residential mortgage backed securities (RMBS):	¥ 909.1	¥15.4	1.69	AAA
Subprime loan related amounts	—	—	—	—
Collateralized loan obligations (CLO)	91.0	1.9	2.13	AAA
Other securitized products (securitized products with credit card receivables as underlying assets)	272.8	2.2	0.83	AAA–BBB
Commercial mortgage backed securities (CMBS)	—	—	—	—
Collateralized debt obligations (CDO)	13.6	0.0	0.40	AAA
Total	¥1,286.6	¥19.7	1.53	

Notes: 1. No hedging activities against credit risks were made.
2. Underlying assets are located in Japan.
3. The numbers do not include securitized products that might be included in investment trusts. The same applies to (2), (3), and (4) below.
4. Products held as collateralized debt obligations (CDOs) are all re-securitized products.

(2) Structured Investment Vehicles (SIVs)

We had no investments in or loans to SIVs.

(3) Leveraged Loans

We had no leveraged loans.

(4) Monoline Insurer Related

We had no investments or loans with guarantees from monoline insurers.

We had no monoline insurer credit or credit-derivative transactions.

(5) U.S. Government Sponsored Enterprises (GSEs)

We had no bonds with mortgage loan securities issued by the U.S. Government National Mortgage Association (Ginnie Mae), the U.S. Federal National Mortgage Association (Fannie Mae), or the U.S. Federal Home Loan Mortgage Corporation (Freddie Mac) as underlying assets.

In addition, we had no holdings of bonds issued by the above institutions.

DEFERRED TAX ASSETS/LIABILITIES

Net deferred tax liabilities as of March 31, 2010 were ¥145.2 billion, a decline of ¥286.4 billion from net deferred tax assets of ¥141.2 billion as of March 31, 2009. This change was attributable to an increase in unrealized gains on other (available-for-sale) securities.

Major Components of Deferred Tax Assets and Liabilities

	Millions of yen		
	As of March 31, 2010	As of March 31, 2009	Y-o-Y change
Deferred Tax Assets:	¥ 126,331	¥145,025	¥ (18,693)
Reserve for possible loan losses	633	442	190
Reserve for employees' retirement benefits	52,495	51,913	581
Accumulated depreciation	17,457	20,847	(3,389)
Accrued interest on deposits	27,825	22,265	5,560
Impairment losses of money held in trust	11,235	11,764	(528)
Net unrealized gains (losses) on available-for-sale securities	—	11,578	(11,578)
Others	16,683	26,213	(9,530)
Deferred tax liabilities:	(271,539)	(3,751)	(267,788)
Net unrealized gains (losses) on available-for-sale securities	(262,472)	—	(262,472)
Others	(9,067)	(3,751)	(5,315)
Net deferred tax assets (liabilities)	¥(145,208)	¥141,273	¥(286,481)

LIABILITIES

	Millions of yen		
	As of March 31, 2010	As of March 31, 2009	Y-o-Y change
Deposits	¥175,797,715	¥177,479,840	¥(1,682,125)
Payables under securities lending transactions	6,236,017	804,770	5,431,246
Borrowed money	2,000,000	8,700,000	(6,700,000)
Foreign exchanges	116	102	14
Other liabilities	1,523,721	1,182,240	341,481
Reserve for employees' bonuses	6,815	6,542	273
Reserve for employees' retirement benefits	129,015	127,584	1,430
Reserve for directors' retirement benefits	194	141	53
Deferred tax liabilities	145,208	—	145,208
Total liabilities	¥185,838,804	¥188,301,222	¥(2,462,417)

TOTAL LIABILITIES

Total liabilities were ¥185,838.8 billion, a decline of ¥2,462.4 billion, or 1.30%, from ¥188,301.2 billion as of March 31, 2009. This decrease was mainly attributable to a drop in borrowed money.

DEPOSITS

The balance of deposits was ¥175,797.7 billion, a decline of ¥1,682.1 billion, or 0.94%, from ¥177,479.8 billion as of March 31, 2009.

Since prior to our incorporation, the balance of deposits has been on a declining trend, due principally to the maturing of TEIGAKU deposits. We recognize that dramatic declines in the balance of deposits could affect the sound management of the Bank. However, we believe that the pace of the decline has been moderated by an increase in customer numbers. We continue to implement measures aimed at increasing the balance of deposits, such as offering premium interest rates on deposits and taking steps to further enhance convenience for customers.

Liquid deposits declined from ¥59,660.8 billion at the end of the previous fiscal year to ¥57,113.8 billion. Time deposits increased from ¥117,488.2 billion to ¥118,381.2 billion. Overall, the balance of deposits declined, but the Bank believes that fund-raising stability has not been impaired.

Balances by Type of Deposit

	Millions of yen, %				
	As of March 31, 2010		As of March 31, 2009		Y-o-Y change
	Amount	Composition ratio	Amount	Composition ratio	Amount
Liquid deposits:	¥ 57,113,869	32.48	¥ 59,660,898	33.61	¥(2,547,029)
Transfer deposits	7,597,731	4.32	7,269,971	4.09	327,760
Ordinary deposits, etc.	49,087,540	27.92	51,924,342	29.25	(2,836,802)
Savings deposits	428,597	0.24	466,585	0.26	(37,987)
Fixed-term deposits:	118,381,289	67.33	117,488,226	66.19	893,063
Time deposits, etc.	27,475,685	15.62	18,698,993	10.53	8,776,692
TEIGAKU deposits, etc.	90,891,424	51.70	98,738,612	55.63	(7,847,188)
Other deposits	302,556	0.17	330,715	0.18	(28,158)
Subtotal	175,797,715	100.00	177,479,840	100.00	(1,682,125)
Negotiable certificates of deposit	—	—	—	—	—
Total	¥175,797,715	100.00	¥177,479,840	100.00	¥(1,682,125)

Notes: 1 Liquid deposits = Transfer deposits + Ordinary deposits, etc. + Savings deposits
Ordinary deposits, etc. = Ordinary deposits + Special deposits (equivalent to ordinary savings)

2 Fixed-term deposits = Time deposits, etc. + TEIGAKU deposits, etc. + Special deposits (Installment savings equivalent + Savings for housing installments + Education installment savings equivalent)
Time deposits etc. = Time deposits + Special deposits (Time savings equivalent)
TEIGAKU deposits, etc. = TEIGAKU deposits + Special deposits (TEIGAKU savings equivalent)

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

4 Special deposits (corresponding to ordinary savings) are the portion of deposits received from the Management Organization for Postal Savings and Postal Life Insurance corresponding to savings for time savings, TEIGAKU savings, installment savings, savings for housing installments, and education installment savings that had reached full term and were passed on to the organization by JAPAN POST.

5 TEIGAKU deposits are a kind of 10-year-maturity time deposits unique to JAPAN POST BANK. The key feature is that depositors have the option to withdraw money anytime after six months from the inception of the deposits. The effective interest rates put on deposits rise in a staircase pattern, with duration of up to three years.

BORROWED MONEY

As of March 31, 2010, the balance of borrowed money was ¥2.0 trillion, a decline of ¥6.7 trillion, or 77.01%, from ¥8.7 trillion as of March 31, 2009. Borrowed money represents the funds the former savings operations borrowed from the Ministry of Finance to manage at its own discretion, prior to the reforms to national investments and loans in the fiscal year ended March 31, 2002. No additional money has been borrowed subsequent to the reforms. The balance of borrowed money was equivalent to the balance of the deposits (to the fiscal loan fund) in fiscal 2010 and will fall to zero by March 31, 2011.

RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS

The reserve for employees' retirement benefits was ¥129.0 billion as of March 31, 2010, an increase of ¥1.4 billion from ¥127.5 billion as of March 31, 2009. We have adopted a lump-sum retirement benefit payment plan and do not use any other pension schemes.

Employees' Retirement Benefits

	Millions of yen	
	As of March 31, 2010	As of March 31, 2009
Projected benefit obligation	¥(126,275)	¥(124,752)
Unfunded projected benefit obligation	(126,275)	(124,752)
Unrecognized net actuarial losses	(2,740)	(2,832)
Net amount recorded on the balance sheets	(129,015)	(127,584)
Reserve for employees' retirement benefits	¥(129,015)	¥(127,584)

Breakdown of Total Retirement Benefit Costs

	Millions of yen	
	As of March 31, 2010	As of March 31, 2009
Service cost	¥5,965	¥5,922
Interest cost on projected benefit obligation	2,128	2,117
Amortization of unrecognized net actuarial gains (losses)	(288)	(57)
Total retirement benefit costs	¥7,805	¥7,982

Assumptions Used in the Calculation of the Above Information

	Fiscal 2010	Fiscal 2009
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
Discount rate	1.7%	1.7%
Amortization period of unrecognized actuarial gains (losses)	10 years	10 years

NET ASSETS

	Millions of yen		
	As of March 31, 2010	As of March 31, 2009	Y-o-Y change
Common stock	¥3,500,000	¥3,500,000	—
Capital surplus	4,296,285	4,296,285	—
Retained earnings	652,598	413,140	¥239,458
Total shareholder's equity	8,448,884	8,209,426	239,458
Net unrealized gains (losses) on available-for-sale securities	382,593	(16,877)	399,470
Deferred gains (losses) on hedges	8,069	(12,974)	21,044
Total valuation and translation adjustments	390,663	(29,851)	420,515
Total net assets	¥8,839,547	¥8,179,574	¥659,973

Net assets as of March 31, 2010 were ¥8,839.5 billion, an increase of ¥659.9 billion, or 8.06%, from ¥8,179.5 billion as of March 31, 2009.

Shareholder's equity was ¥8,448.8 billion, an increase of ¥239.4 billion, or 2.91%, from March 31, 2009, due to an increase in retained earnings. We posted ¥382.5 billion of net unrealized gains on available-for-sale securities in fiscal 2010, an improvement of ¥399.4 billion from the net unrealized losses on available-for-sale securities in fiscal 2009, due to recovery in financial markets. In addition, we use the deferred hedge method in hedging interest rate risk and foreign exchange movement risk, and in fiscal 2010 we booked ¥8.0 billion of deferred gains (losses) on hedges.

Capital Resource Management

CAPITAL ADEQUACY RATIO

As of March 31, 2010, net assets were ¥8,839.5 billion.

As determined under the Banking Law of Japan, our capital adequacy ratio (non-consolidated, domestic standard) as of March 31, 2010 was 91.62%, a decrease of 0.47 percentage points from March 31, 2009. In spite of the decline, we continued to maintain a capital adequacy ratio at a high level. In addition, Tier I capital accounted for the majority of our capital, as underlined by our high Tier I capital ratio of 91.61% as of March 31, 2010.

Total risk-based capital, the numerator of the ratio, was ¥8,375.2 billion, an increase of ¥222.7 billion from ¥8,152.4 billion as of March 31, 2009. This increase was mainly attributable to growth in retained earnings.

Risk assets, which correspond to the denominator of the ratio, amounted to ¥9,141.3 billion, representing an increase of ¥288.8 billion from ¥8,852.4 billion as of March 31, 2009. Our risk weighted assets increased due to a substantial increase in securities, centered on foreign bonds, due to the diversification of our investment strategy. This increase offset declines in negotiable certificates of deposit and money held in trust. As a result, the capital adequacy ratio declined.

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

	Millions of yen		
	As of March 31, 2010	As of March 31, 2009	Y-o-Y change
Tier I capital (A)	¥8,374,784	¥8,152,126	¥222,658
Tier II capital (B)	494	370	124
Deductions (C)	—	—	—
Total risk-based capital (A) + (B) – (C) = (D)	8,375,279	8,152,496	222,782
Risk assets (E)	9,141,313	8,852,495	288,818
On-balance-sheet items	5,806,212	5,406,131	400,081
Off-balance-sheet items	20,986	74,249	(53,262)
Operational risk equivalent / 8%	3,314,114	3,372,115	(58,000)
Capital adequacy ratio (D)/(E)	91.62%	92.09%	(0.47%)
Tier I capital ratio (A)/(E)	91.61%	92.08%	(0.47%)

DIVIDENDS

Our fundamental capital policy calls for reinforcing capital to facilitate sound management and growth while making decisions with consideration for earnings performance, financial market conditions, and the intentions of stakeholders. On that basis, we make decisions in a flexible manner. As a standard for dividends, we use the dividend payout ratio, the most commonly used indicator. In fiscal 2010, the dividend payout ratio was nearly the same as in fiscal 2009, at about 25%.

In view of the capital policy described above, we increased the total cash dividend paid for fiscal 2010 to ¥74.1 billion, up from ¥57.3 billion in fiscal 2009, and the per-share cash dividend to ¥494, up from ¥382. The dividend payout ratio was 24.96% in the fiscal year ended March 31, 2010, compared with 24.98% in fiscal 2009.

Off-Balance Sheet Arrangements & Contractual Cash Obligations

Contractual cash obligations in fiscal 2010 were as follows:

1. Assets pledged as of March 31, 2010 as collateral and their relevant liabilities as of March 31, were as follows:

	Millions of yen
Assets pledged as collateral:	
Securities	¥65,228,776
The above pledged assets secure the following liabilities:	
Deposits*	61,428,693
Payables under securities lending transactions	¥ 6,236,017

*Principally special deposits

Additionally, securities as of March 31, 2010 amounting to ¥2,011,461 million are pledged as collateral for transactions such as Bank of Japan overdrafts, exchange settlement transactions, or substitute securities for derivatives.

As of March 31, 2010, guarantee deposits of ¥1,206 million were included in "Other assets" in the accompanying balance sheet.

2. Contracts of loan commitments are contracts with customers to lend funds up to a certain limit agreed in advance. We will make the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of various terms and conditions stipulated in the relevant loan agreement.

The unused commitment balance relating to these loan agreements as of March 31, 2010 amounted to ¥5,235 million. Of this amount, ¥2,500 million was associated with loans in which the term of the agreement was less than one year or unconditional cancellation of the agreement was allowed at any time.

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. Conditions are included in certain loan agreements which allow us 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 our credit. At the inception of contracts, we have the obligor pledge collateral to us in the form of real estate, securities, etc., if considered to be necessary. Subsequently, we take necessary measures specified by our established internal procedures to protect our credit.

3. We have contractual obligations to make future payments on consignment contracts for IT system related products and services, such as hardware, software, telecommunications services, and maintenance. The details are as follows:

	Millions of yen
One year or less	¥35,463
Over one year	¥49,130

Critical Accounting Estimates

Our financial statements are prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP").

The preparation of these financial statements requires management to make estimates and assumptions that may affect the reported amounts in the financial statements. Our management continues to evaluate these estimates and assumptions taking into consideration their experience and other information that management believes to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions as these estimates and assumptions often involve uncertainties.

Our management believes the following to be critical accounting policies and estimates that are expected to have a material impact on the reported amounts in our financial statements.

VALUATION OF SECURITIES

The investment balances of our securities are important items in our financial statements. Accounting policies applied by management that require estimates of the value of the securities are expected to have a material impact on our financial statements.

The securities we hold include "held-to-maturity securities" and "other securities".

Within "other securities", the market price at the balance sheet date, if available, is recorded as the fair value. If there is no available market price at the balance sheet date, the fair value is based on the appraisal value assessed by independent third parties, such as brokers.

VALUATION OF MONEY HELD IN TRUST

Accounting policies applied by management that require estimates of the value of money held in trust and impairment losses related to money held in trust are expected to have a material impact on our financial statements.

"Other money held in trust" includes trust assets that consist of equity securities.

Gains and losses on equity securities of securities, included in money held in trust, are recognized based on the average market prices during the last month of the fiscal period. The purpose is to level off short-term price fluctuations, as these equity securities are not purchased to be resold in a short period of time.

In addition, if the market value of an equity security declines substantially from its cost at acquisition and we determine that its value is not likely to be recoverable, the equity security is restated at the market price on the balance sheet and we record a valuation loss for the fiscal year.

An equity security within money held in trust is deemed to have declined substantially when its market value declines by 50% or more from its cost at acquisition.

In determining if an equity security's value is not likely to increase, we consider the possibility that the market price of a security may recover if decreases are due to an overall decline of the stock market in the short term or to changes in interest and foreign exchange rates, and not due to reasons specific to the security. However, management determines that an equity security's value is not likely to increase when its average market value over the six months before the fiscal year-end is 70% of its cost at acquisition or less.

Management believes that its accounting policies applied to make estimates of the value of money held in trust are reasonable and conservative. If management later concludes that what had been viewed as a short-term economic cycle decline of the stock market is other than temporary, management may revise its criteria for determining whether the market values of equity securities within money held in trust are likely to increase or are recoverable and may additionally impair the values.

RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS

We have established a lump-sum retirement payment plan for employees in accordance with our internal retirement benefit rules. Periodic expenses and accrued liabilities relating to employees' retirement benefits are calculated based on a number of actuarial assumptions, including discount rates, withdrawals, mortality, and rates of increase of compensation levels, which management determines by comprehensively considering all available information.

The discount rate assumptions are based on yield on Japanese Government Bonds with durations that approximately match the estimated number of years remaining until employee retirement, the point at which benefits are paid. Management has set the discount rate at 1.7% after taking into account potential bond interest rate fluctuations, in addition to the above-mentioned assumptions.

Actuarial gains and losses, the difference between actual payments and the above-mentioned assumptions, are recognized in income or expenses using the straight-line method over a period of years. Management has set this period as 10 years, which is somewhat shorter than the expected average remaining years of service of employees.

Management believes that the assumptions used are appropriate; however, differences between actual consequences and the above mentioned assumptions may affect retirement benefit expenses and liabilities in the future.

DEFERRED TAX ASSETS

Deferred tax assets are an important item on the asset side of our balance sheet. Accordingly, accounting policies applied by management that require estimates of the extent to which deferred tax assets will be utilized are expected to have a material impact on our financial statements.

Each period we record taxable income sufficiently in excess of deductions resulting from temporary differences at the end of each period, in accordance with the JICPA Auditing Committee Report No. 66, "Auditing Treatment Regarding Judgment of Realizability of Deferred Tax Assets". Accordingly, management has concluded that deferred tax assets are expected to be fully utilized.

DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values of financial instruments are disclosed in accordance with ASBJ Guidance No. 19, "Guidance on Disclosures about Fair Value of Financial Instruments". We determine the fair value of financial instruments based on the market price, but could use a rational estimate in cases where a market price does not exist. Various assumptions are used in these price estimates, and these prices may differ based on different assumptions and other factors.

Risk Management

Advances in financial globalization and information technology have led to rapid growth in the diversity and complexity of banking operations, exposing financial institutions to a multitude of risks. We place a high priority on risk management and are taking steps to erect a 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 MANAGEMENT SYSTEM

We have established risk management entities for each risk category (market risk, market liquidity risk, funding liquidity risk, credit risk, and operational risk) as well as the Risk Management Department, which is responsible for monitoring the risks within the risk categories 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 review risk management policies and systems.

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

IMPLEMENTATION OF BASEL II

The Basel Committee on Banking Supervision has set capital adequacy standards, which are international standards to ensure bank soundness. Basel II, a version of these standards that has been revised to more appropriately respond to risk conditions, has been applied in Japan since March 31, 2007.

Basel II is based on three pillars. Pillar 1 is minimum capital requirements. Pillar 2 is the assessment and management of risks faced by the business as a whole, including risks not addressed by Pillar 1 (such as interest rate risk in the banking book and credit concentration risk) and the determination of the amount of capital required for business management. Pillar 3 is market discipline allowing for market assessment through appropriate disclosures. We comply with all provisions of Basel II.

In calculating our capital adequacy ratio, we have adopted the standardized approach to calculate our credit risk-weighted assets, as well as a basic indicator approach to assess the capital requirements for operational risk. We have adopted special exemptions for market risk amounts.

INTEGRATED RISK MANAGEMENT

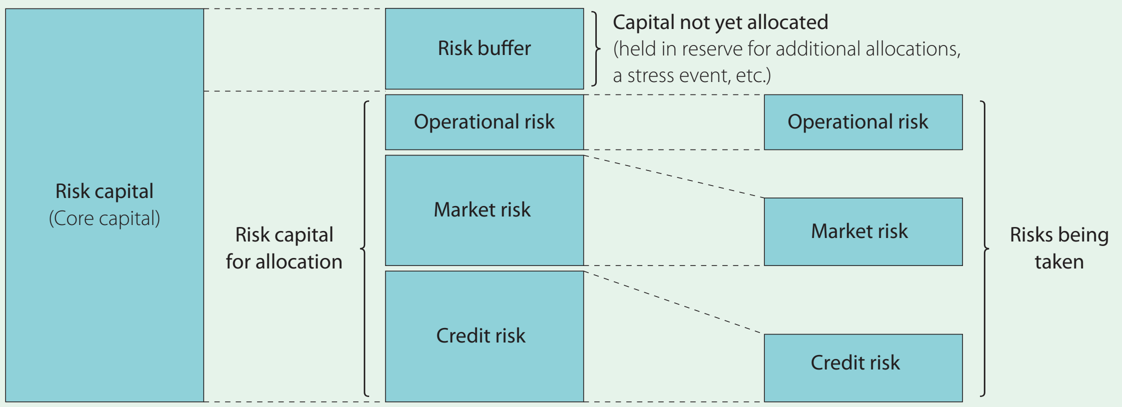
We broadly classify and define risks into five categories: market, market liquidity, funding liquidity, credit, and operational risks. We manage these risks using both quantitative and qualitative approaches.

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 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 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.

Allocation of risk capital is determined by the Representative Executive Officers following discussions in the ALM Committee and the Executive Committee.

Risk Capital Allocation



Market Risk Management / Market Liquidity Risk Management

1. Market Risk Management

We manage market risk in a way that reflects the characteristics of our assets, which are principally marketable securities (e.g., Japanese Government Bonds), 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.

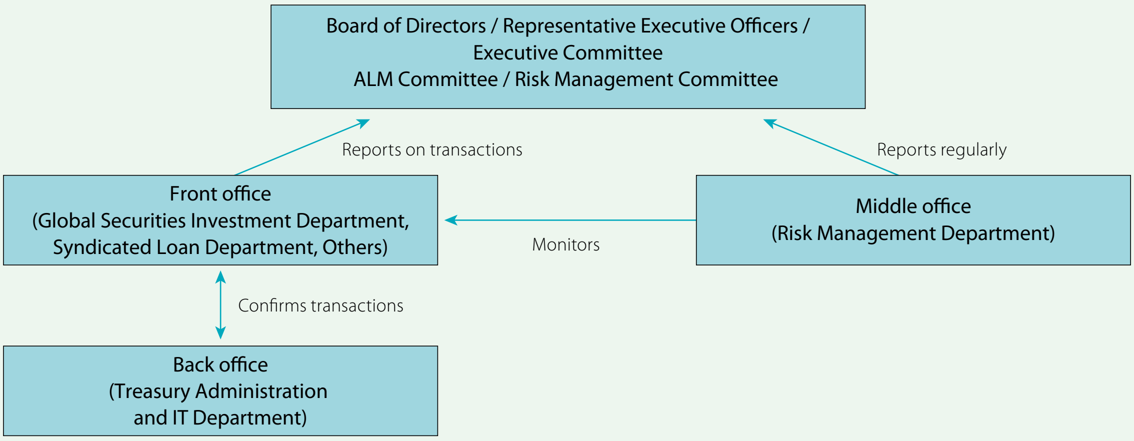
We use the VaR statistical methods to quantify market risk. We adjust our market risk frameworks and loss limits in order to ensure that market risk does not exceed risk capital allocated for this purpose. We conduct risk monitoring and management on an on-going basis, and also carry out stress tests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

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

To provide a system of cross checks and balances in market operations, we have set up the Risk Management Department as a "middle office" that is independent from our front and back offices.

Daily reports concerning 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



2. Market Risk Measurement Model

Our internal 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, we define the amount of "core deposits" as the smallest of (1) the minimum balance in the last five years, (2) the balance after deducting the maximum annual outflow in the last five years from the current balance, or (3) the equivalent of 50% of the current balance, and assume the maturity of the deposits up to five years (the average is 2.5 years). Meanwhile, market risk relating to TEIGAKU deposits is calculated based on an estimated future cash flow model.

3. Market Risk Exposure

In fiscal 2010, VaR of our banking operations was as follows:

VaR (From April 1, 2009 to March 31, 2010)

	Billions of yen			
	Year-end	Maximum	Minimum	Average
Fiscal 2010	¥1,712.4	¥1,817.4	¥1,519.1	¥1,675.3

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

4. Stress Testing

Our VaR model statistically calculates maximum losses at a certain probability, based on historical data. Accordingly, our VaR model does not appropriately measure risks in the event of extreme market fluctuations or in the event that historical assumptions do not hold. Consequently, we regularly conduct stress tests to measure our potential losses in the event of market fluctuations exceeding the limits assumed in the model. The results of the stress tests are reported to the Executive Committee.

In our stress tests, we use a number of scenarios, including the estimated effect of the largest fluctuations in financial markets over the past decade.

5. 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.

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

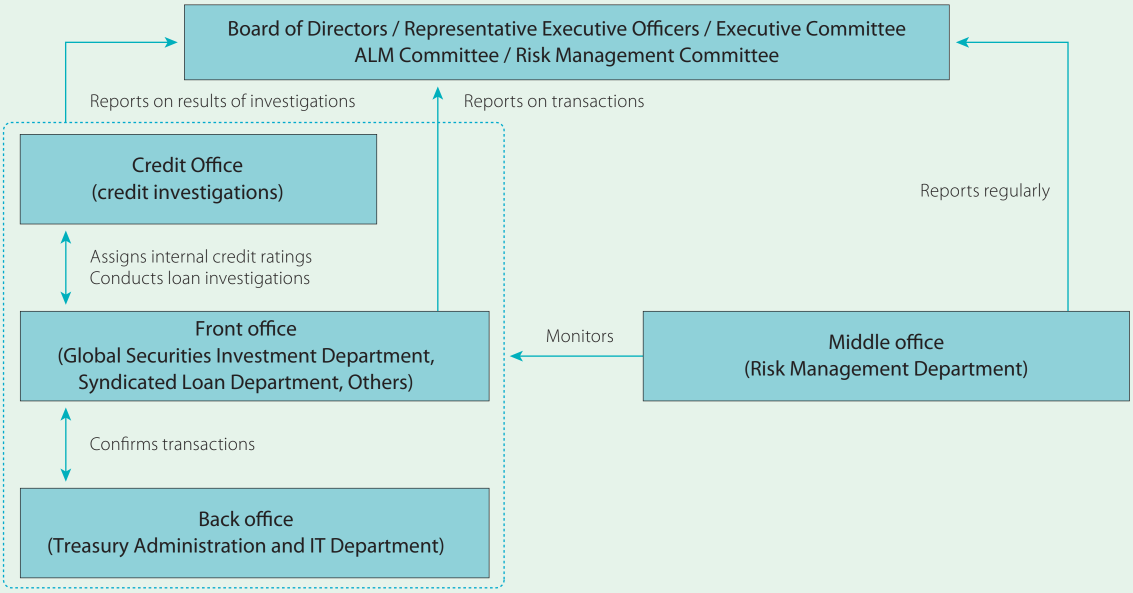
1. Credit Risk Management

We use VaR statistical methods to quantify credit risk. We set upper limits for such elements in our credit risk limit frameworks and implement monitoring and management so that we ensure that credit risk does not exceed allocated capital. We also carry out stress tests to consider the possibility of credit risk due to large-scale economic fluctuations outside those in our VaR model.

In order to control credit concentration risk, we have set credit limits for individual companies and corporate groups. Looking ahead, we plan to enhance our credit portfolio management as we expand our borrower base.

Our Risk Management Department oversees our internal credit rating system, self-assessments of loans, and other credit risk management activities. The reporting line of the Risk Management Department has been separated from our front and back offices. Our Credit Office handles credit investigations. The Credit Office assigns internal credit ratings, monitors borrower status, watches large borrowers, and conducts individual credit management, such as individual loan investigations.

Credit Risk Management System



MD&A

Financial Statements

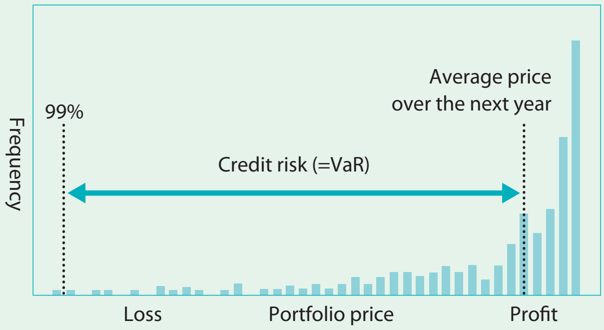
Financial Data

2. Measuring Credit Risk

Our internal VaR risk measurement model measures credit risk through the Monte Carlo simulation method, with calculations based on a 99% confidence level and a one-year time period.

In addition, we calculate losses using the mark-to-market method. The mark-to-market method recognizes losses on defaults by borrowers as well as those on loans whose economic value was reduced due to reductions in the credit ratings of the respective borrowers.

Value at Risk (VaR)



3. Stress Testing

Our VaR calculations represent a statistical measurement of credit risk based on the probabilities associated with changes in credit ratings and other financial conditions. Consequently, the model cannot properly reflect credit risks under conditions of extreme economic fluctuations or when the assumptions used for our calculations are no longer valid. As a result, we periodically conduct stress tests to measure our potential losses in the event of credit-standing fluctuations that exceed the assumptions used in the model. The results of the stress tests are reported to the Executive Committee. In conducting stress tests, we use a number of scenarios, including the estimated effect of the highest level of defaults experienced over the past decade.

4. 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	a	Has sufficient credit standing but requires attention in case of significant changes in the environment.	
	b		
5	a	Has no problems with credit standing at this point but has attributes requiring attention in case of changes in the environment.	
	b		
6	a	Has no current problems with credit standing but has attributes requiring constant attention.	
	b		
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.	Borrowers threatened with bankruptcy
10		Is not yet legally bankrupt but is in serious financial difficulty. Deemed to have no prospects for restructuring. Effectively bankrupt.	Effectively bankrupt borrowers
11		Legally bankrupt.	Bankrupt borrowers

5. Self-Assessments, Write-Offs, and Reserves

As one aspect of credit risk management, we conduct self-assessments to classify the assets we hold based on the degree of risk in terms of recovery and damage to collateral value. These self-assessments are the basis 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 special attention 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 virtually 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.

6. 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 engage in stricter monitoring for those borrowers requiring extra attention due to the condition of their business, such as borrowers subject to possible credit rating downgrades or which have experienced sharp drops in their stock price.

Operational Risk Management

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

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 have an operational risk reporting system to track and update operational errors and accidents in a timely manner. We analyze the contents of these reports to determine the causes of these events and identify trends. This process yields fundamental data for formulating and executing effective countermeasures.

Financial Statements

Balance Sheets

As of March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Assets:			
Cash and due from banks:	**¥ 4,440,804**	¥ 5,999,116	**$ 47,730,055**
Cash	**117,546**	124,681	**1,263,400**
Due from banks	**4,323,257**	5,874,434	**46,466,655**
Call loans	**261,649**	51,184	**2,812,220**
Receivables under securities borrowing transactions	**2,495,622**	725,786	**26,823,117**
Monetary claims bought	**124,082**	66,409	**1,333,650**
Trading account securities (Note 20):	**196**	159	**2,112**
Trading Japanese government bonds	**196**	159	**2,112**
Money held in trust (Note 20)	**1,015,355**	1,224,742	**10,913,108**
Securities (Notes 7, 19, 20 and 21):	**178,230,687**	173,551,137	**1,915,635,077**
Japanese Government Bonds	**155,891,563**	155,490,155	**1,675,532,710**
Japanese local government bonds	**5,289,202**	6,177,212	**56,848,694**
Japanese corporate bonds	**12,281,230**	10,423,366	**131,999,462**
Other securities	**4,768,691**	1,460,403	**51,254,209**
Loans (Note 23):	**4,022,547**	4,031,587	**43,234,608**
Loans on deeds	**3,783,806**	3,790,537	**40,668,597**
Overdrafts	**238,741**	241,050	**2,566,011**
Foreign exchanges (Note 3)	**5,860**	9,872	**62,991**
Other assets (Notes 4 and 7)	**3,902,137**	10,480,635	**41,940,428**
Tangible fixed assets (Note 5)	**142,032**	170,392	**1,526,569**
Intangible fixed assets (Note 6)	**38,931**	29,586	**418,441**
Deferred tax assets (Note 25)	**—**	141,273	**—**
Reserve for possible loan losses	**(1,556)**	(1,087)	**(16,725)**
Total assets	**¥194,678,352**	¥196,480,796	**$2,092,415,655**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Liabilities:			
Deposits (Notes 7 and 8)	**¥175,797,715**	¥177,479,840	**$1,889,485,333**
Payables under securities lending transactions (Note 7)	**6,236,017**	804,770	**67,025,120**
Borrowed money (Note 9)	**2,000,000**	8,700,000	**21,496,130**
Foreign exchanges (Note 3)	**116**	102	**1,252**
Other liabilities (Note 10)	**1,523,721**	1,182,240	**16,377,063**
Contingent liabilities (Note 11)			
Reserve for employees' bonuses	**6,815**	6,542	**73,254**
Reserve for employees' retirement benefits (Note 24)	**129,015**	127,584	**1,386,664**
Reserve for directors' retirement benefits	**194**	141	**2,088**
Deferred tax liabilities (Note 25)	**145,208**	—	**1,560,709**
Total liabilities	**185,838,804**	188,301,222	**1,997,407,617**
Net assets (Note 16)**:**			
Common stock	**3,500,000**	3,500,000	**37,618,228**
Capital surplus	**4,296,285**	4,296,285	**46,176,762**
Retained earnings	**652,598**	413,140	**7,014,169**
Total shareholder's equity	**8,448,884**	8,209,426	**90,809,160**
Net unrealized gains (losses) on available-for-sale securities (Note 20)	**382,593**	(16,877)	**4,112,141**
Deferred gains (losses) on hedges	**8,069**	(12,974)	**86,736**
Total valuation and translation adjustments	**390,663**	(29,851)	**4,198,878**
Total net assets	**8,839,547**	8,179,574	**95,008,038**
Total liabilities and net assets	**¥194,678,352**	¥196,480,796	**$2,092,415,655**

See notes to financial statements.

MD&A

Financial Statements

Financial Data

Statements of Income

For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Revenues:			
Interest income:	¥2,066,088	¥2,309,926	$22,206,457
Interest on loans	47,819	45,185	513,967
Interest and dividends on securities	1,920,979	1,940,865	20,646,817
Interest on call loans	82	14,333	889
Interest on receivables under resale agreements	—	2,366	—
Interest on receivables under securities borrowing transactions	4,338	28,589	46,630
Interest on deposits with banks	5,237	23,288	56,290
Other interest income	87,630	255,297	941,860
Fees and commissions:	108,493	112,334	1,166,098
Fees and commissions on domestic and foreign exchanges	64,690	66,592	695,293
Other fees and commissions	43,803	45,742	470,805
Other operating income (Note 12)	13,058	53,791	140,358
Other income (Note 13)	20,342	12,965	218,640
Total revenues	2,207,983	2,489,017	23,731,554
Expenses:			
Interest expenses:	447,718	657,022	4,812,102
Interest on deposits	343,368	373,863	3,690,549
Interest on payables under securities lending transactions	8,357	25,878	89,826
Interest on borrowings	86,161	255,091	926,067
Interest on interest rate swaps	9,539	1,591	102,534
Other interest expenses	290	597	3,124
Fees and commissions:	22,331	21,238	240,017
Fees and commissions on domestic and foreign exchanges	1,417	297	15,230
Other fees and commissions	20,914	20,940	224,786
Other operating expenses (Note 14)	10,079	53,452	108,334
General and administrative expenses	1,221,076	1,266,205	13,124,204
Other expenses (Note 15)	13,328	106,885	143,252
Total expenses	1,714,532	2,104,803	18,427,911
Income before income taxes	493,450	384,213	5,303,642
Income taxes (Note 25):			
Current	198,698	192,604	2,135,622
Deferred	(2,005)	(37,754)	(21,555)
Total income taxes	196,692	154,850	2,114,066
Net income	¥ 296,758	¥ 229,363	$ 3,189,576

	Yen		U.S. dollars (Note 1)
	2010	2009	2010
Net income per share (Note 28)	¥1,978.38	¥1,529.08	$21.26

See notes to financial statements.

Statements of Changes in Net Assets

For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Shareholders' Equity			
Common stock:			
Balance at beginning of year	¥3,500,000	¥3,500,000	$37,618,228
Balance at end of year	3,500,000	3,500,000	37,618,228
Capital surplus:			
Balance at beginning of year	4,296,285	4,296,285	46,176,762
Balance at end of year	4,296,285	4,296,285	46,176,762
Retained earnings:			
Balance at beginning of year	413,140	206,577	4,440,456
Changes during the fiscal year:			
Cash dividends	(57,300)	(22,800)	(615,864)
Net income	296,758	229,363	2,573,712
Total changes during the fiscal year	239,458	206,563	3,189,576
Balance at end of year	652,598	413,140	7,014,169
Total shareholder's equity:			
Balance at beginning of year	8,209,426	8,002,862	88,235,447
Changes during the fiscal year:			
Cash dividends	(57,300)	(22,800)	(615,864)
Net income	296,758	229,363	2,573,712
Total changes during the fiscal year	239,458	206,563	3,189,576
Balance at end of year	8,448,884	8,209,426	90,809,160
Valuation and Translation Adjustments			
Net unrealized gains (losses) on available-for-sale securities:			
Balance at beginning of year	(16,877)	73,992	(181,395)
Changes during the fiscal year:			
Net changes in items other than shareholder's equity	399,470	(90,869)	4,293,536
Total changes during the fiscal year	399,470	(90,869)	4,293,536
Balance at end of year	382,593	(16,877)	4,112,141
Deferred gains (losses) on hedges:			
Balance at beginning of year	(12,974)	—	(139,450)
Changes during the fiscal year:			
Net changes in items other than shareholder's equity	21,044	(12,974)	226,187
Total changes during the fiscal year	21,044	(12,974)	226,187
Balance at end of year	8,069	(12,974)	86,736
Total valuation and translation adjustments:			
Balance at beginning of year	(29,851)	73,992	(320,845)
Changes during the fiscal year:			
Net changes in items other than shareholder's equity	420,515	(103,844)	4,519,724
Total changes during the fiscal year	420,515	(103,844)	4,519,724
Balance at end of year	390,663	(29,851)	4,198,878
Total net assets:			
Balance at beginning of year	8,179,574	8,076,855	87,914,601
Changes during the fiscal year:			
Cash dividends	(57,300)	(22,800)	(615,864)
Net income	296,758	229,363	3,189,576
Net changes in items other than shareholder's equity	420,515	(103,844)	4,519,724
Total changes during the fiscal year	659,973	102,718	7,093,436
Balance at end of year	¥8,839,547	¥8,179,574	$95,008,038

See notes to financial statements.

Statements of Cash Flows

For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Cash flows from operating activities:			
Income before income taxes	¥ 493,450	¥ 384,213	$ 5,303,642
Adjustments for:			
Depreciation and amortization	45,083	54,797	484,555
Losses on impairment of fixed assets	432	63	4,651
Net change in reserve for possible loan losses	468	(422)	5,034
Net change in reserve for employees' bonuses	273	314	2,938
Net change in reserve for employees' retirement benefits	1,430	2,652	15,373
Net change in reserve for directors' retirement benefits	53	95	571
Interest income	(2,066,088)	(2,309,926)	(22,206,457)
Interest expense	447,718	657,022	4,812,102
Net securities gains	(11,629)	(151)	(124,999)
Gains (losses) on money held in trust—net	(2,377)	100,200	(25,556)
Gains (losses) on foreign exchanges—net	(1,429)	292	(15,365)
Losses on sale and disposal of fixed assets—net	403	1,432	4,335
Net change in loans	8,521	(260,128)	91,590
Net change in deposits	(1,682,125)	(4,263,966)	(18,079,590)
Proceeds from maturity of deposits to the fiscal loan fund	6,700,000	12,000,000	72,012,037
Net change in borrowed money	(6,700,000)	(12,000,000)	(72,012,037)
Net change in negotiable certificates of deposit	2,220,000	514,000	23,860,705
Net change in call loans	(267,331)	3,708,044	(2,873,299)
Net change in receivables under securities borrowing transactions	(1,769,836)	(725,786)	(19,022,321)
Net change in payables under securities lending transactions	5,431,246	804,770	58,375,391
Net change in foreign exchange assets	4,011	3,581	43,120
Net change in foreign exchange liabilities	14	(225)	152
Interest received	2,227,583	2,387,231	23,942,209
Interest paid	(384,429)	(744,332)	(4,131,871)
Other—net	(23,129)	(26,452)	(248,599)
Subtotal	4,672,312	287,319	50,218,315
Income taxes paid	(186,967)	(230,841)	(2,009,533)
Net cash provided by operating activities	4,485,345	56,478	48,208,781
Cash flows from investing activities:			
Purchases of securities	(69,782,752)	(66,091,066)	(750,029,588)
Proceeds from sales of securities	9,695,554	13,095,782	104,208,451
Proceeds from maturity of securities	55,875,426	51,684,625	600,552,740
Investment in money held in trust	(50,000)	(1,029,778)	(537,403)
Proceeds from disposition of money held in trust	526,655	25,300	5,660,522
Purchases of tangible fixed assets	(8,015)	(31,692)	(86,145)
Proceeds from sales of tangible fixed assets	86	436	932
Purchases of intangible fixed assets	(23,433)	(9,631)	(251,867)
Proceeds from sales of intangible fixed assets	—	120	—
Other—net	(340)	(291)	(3,657)
Net cash used in investing activities	(3,766,818)	(2,356,193)	(40,486,015)
Cash flows from financing activities:			
Cash dividends paid	(57,300)	(22,800)	(615,864)
Net cash used in financing activities	(57,300)	(22,800)	(615,864)
Effect of exchange rate changes on cash and cash equivalents	462	575	4,966
Net decrease in cash and cash equivalents	661,688	(2,321,939)	7,111,868
Cash and cash equivalents at beginning of year	2,699,116	5,021,055	29,010,276
Cash and cash equivalents at end of year	¥ 3,360,804	¥ 2,699,116	$36,122,144

See notes to financial statements.

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

JAPAN POST BANK Co., Ltd. (the "Bank") became a private bank under the Banking Law of Japan (the "Banking Law"), 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 Law.

The Bank has no subsidiaries to consolidate.

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

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

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

The financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. 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 ¥93.04 to US$1.00, the approximate rate of exchange as of March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. All U.S. dollar figures in the financial statements have been rounded down to the nearest thousand dollar amount, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

2. SUMMARY OF ACCOUNTING POLICIES

a. **Trading Account Securities, Securities and Money Held in Trust**—Securities are classified into four categories, based principally on the Bank's intent, as follows:

(1) Trading account securities, which are held in the short term, are reported at fair value, and the related unrealized gains and losses are included in earnings;

(2) Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost (straight-line method) using the moving-average method;

(3) Investments in affiliates are reported at cost determined by the moving-average method; and

(4) Available-for-sale securities that are not classified as either of the aforementioned securities and have market prices are carried at their fiscal year-end market prices (cost of securities sold is calculated using primarily the moving-average method). Net unrealized gains and losses including foreign exchange fluctuations, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations, net of applicable income taxes, are reported in a separate component of net assets.

Securities (stocks) invested in money held in trust are stated at the fair value. The balance sheet amounts as of March 31, 2010 (end of the fiscal year ended March 31, 2010) and March 31, 2009 (end of the fiscal year ended March 31, 2009) are stated respectively at the average market price of the final month (March) of the fiscal years ended March 31, 2010 and 2009 for equity securities and at the market price at the balance sheet date for other securities (the costs of other securities sold are determined primarily based on the moving-average method). Unrealized gains and losses on these securities, net of applicable income taxes, are reported in a separate component of net assets.

b. Tangible Fixed Assets—Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets, except for buildings (excluding building attachments) which are depreciated using the straight-line method is computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 3 to 50 years for buildings and from 2 to 75 years for others.

c. 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 by the straight-line method over the estimated useful life of 5 years.

d. Foreign Currency Transactions—Foreign currency denominated assets and liabilities at the balance sheet date are translated into Japanese yen principally at the exchange rates in effect at the balance sheet date. Exchange gains and losses are recognized in the fiscal year in which they occur.

e. Reserve for Possible Loan Losses—Reserve for possible loan losses is provided for in accordance with the write-off and provision standards 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), 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, and the reserves are provided based on the results of the assessment.

f. Reserve for Employees' Bonuses—Reserve for employees' bonus is provided for the estimated employees' bonuses attributable to the fiscal year.

g. Reserve for Employees' Retirement Benefits—Reserve for employees' retirement benefits is provided based on the projected benefit obligation at the balance sheet date.

Actuarial gains and losses are recognized in income or expenses using the straight-line method over the average expected remaining service years (10 years) from the following year after they are incurred.

(Change in accounting policy)

Effective as of the end of the fiscal year ended March 31, 2010, the Bank has adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan (ASBJ) Statement No. 19 issued on July 31, 2008). The same discount rates used under the previous method are applied, and therefore there was no impact on the retirement benefit obligation as a result of this change.

h. Reserve for Directors' Retirement Benefits—Reserve for directors' retirement benefits is provided for the estimated retirement benefits which are attributable to the fiscal year.

i. **Derivatives and Hedging Activities**—Derivatives are recognized as either assets or liabilities and stated at fair value. Gains or losses on derivative transactions are recognized in the statements of income.
Hedging against interest rate risks:
In principle, the Bank applies the deferred hedge accounting method for hedges of interest rate risk on its monetary assets and liabilities. The Bank considers its hedging activities for offsetting changes in fair value to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items and the hedging instruments are almost the same as the conditions stipulated for special accounting treatment for interest rate swaps. For some financial assets and liabilities, the Bank applies special accounting treatment for interest rate swaps.
Hedging against foreign exchange fluctuation risks:
The Bank uses the deferred hedge accounting method, the fair value hedge accounting method, and the accounting method translating foreign currency receivables at forward rates to reduce its exposure to exchange rate fluctuations on the portion of the net unrealized gains/losses on available-for-sale securities exposed to the risks of foreign exchange fluctuation risk.
The Bank considers its hedges to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items and the hedging instruments are almost the same.

j. **Consumption Taxes**—The Bank is subject to Japan's national and local consumption taxes. Japan's national and local consumption taxes are excluded from transaction amounts.

k. **Income Taxes**—The Bank adopts the consolidated taxation system designating JAPAN POST HOLDINGS Co., Ltd. as the parent company.

l. **Cash and Cash Equivalents**—For the purpose of the statement of cash flows, cash and cash equivalents represent cash and due from banks on the balance sheet, excluding negotiable certificates of deposit in other banks.

m. **Additional Information**—Disclosure of fair values of financial instruments
Effective as of the end of the fiscal year ended March 31, 2010, the Bank adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2008).

3. FOREIGN EXCHANGES

Foreign exchanges as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Assets			
Due from foreign banks	¥5,795	¥9,814	$62,293
Foreign bills bought and foreign exchanges purchased	64	58	697
Total	¥5,860	¥9,872	$62,991
Liabilities			
Foreign bills sold	¥ 47	¥ 37	$ 514
Foreign bills payable	68	64	738
Total	¥ 116	¥ 102	$ 1,252

4. OTHER ASSETS

Other assets as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Domestic exchange settlement accounts—debit	¥ 12,637	¥ 12,999	$ 135,832
Prepaid expenses	6,684	200	71,841
Accrued income	340,814	331,348	3,663,099
Derivatives other than that for trading	17,476	271	187,834
Deposits (to the fiscal loan fund)	2,000,000	8,700,000	21,496,130
Other	1,524,524	1,435,816	16,385,689
Total	¥3,902,137	¥10,480,635	$41,940,428

5. TANGIBLE FIXED ASSETS

Tangible fixed assets as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Land	¥ 27,121	¥ 27,121	$ 291,501
Buildings	73,146	75,862	786,185
Construction in progress	159	52	1,712
Other	41,604	67,355	447,169
Total	¥142,032	¥170,392	$1,526,569

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Accumulated depreciation of tangible fixed assets	¥101,217	¥ 67,836	$1,087,895

6. INTANGIBLE FIXED ASSETS

Intangible fixed assets as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Software	¥25,343	¥29,192	$272,397
Other	13,587	394	146,043
Total	¥38,931	¥29,586	$418,441

7. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral and their relevant liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Assets pledged as collateral:			
Securities	¥65,228,776	¥76,643,404	$701,083,150
Relevant liabilities to the above assets:			
Deposits	61,428,693	76,852,848	660,239,615
Payables under securities lending transactions	6,236,017	804,770	67,025,120

Additionally, securities as of March 31, 2010 and 2009 amounting to ¥2,011,461 million ($21,619,317 thousand) and ¥3,081,318 million, respectively, were pledged as collateral for transactions such as Bank of Japan overdrafts, exchange settlement transactions, or substitute securities for derivatives.

As of March 31, 2010 and 2009, guarantee deposits amounting to ¥1,206 million ($12,966 thousand) and ¥834 million, respectively, are included in "Other assets" in the accompanying balance sheets.

8. DEPOSITS

Deposits as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Transfer deposits	¥ 7,597,731	¥ 7,269,971	$ 81,660,910
Ordinary deposits	43,959,851	46,109,765	472,483,357
Savings deposits	428,597	466,585	4,606,597
Time deposits	26,847,754	17,408,597	288,561,415
Special deposits*	61,413,288	76,835,303	660,074,039
TEIGAKU deposits**	35,247,935	29,058,902	378,847,114
Other deposits	302,556	330,715	3,251,897
Total	¥175,797,715	¥177,479,840	$1,889,485,333

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

** "TEIGAKU deposits" are a kind of 10-year-maturity time deposit unique to JAPAN POST BANK. The key feature is that depositors have the option to withdraw money anytime after six months from the inception of the deposits. The effective interest rates put on deposits rise in a staircase pattern, with duration of up to three years.

"Transfer deposits" correspond to "Current deposits" and "TEIGAKU deposits" to "Other deposits" in liabilities in accordance with the Banking Law Implementation Regulations. "Special deposits" are deposits with banks made by the Management Organization for Postal Savings and Postal Life Insurance.

9. BORROWED MONEY

Borrowed money as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Borrowings from the Ministry of Finance due November 2010, with annual weighted average interest rate of 1.98%	¥2,000,000	¥8,700,000	$21,496,130
Total	¥2,000,000	¥8,700,000	$21,496,130

Annual maturities of borrowed money as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2010	2009	2010
One year or less	¥2,000,000	¥6,700,000	$21,496,130
> One and ≤ two years	—	2,000,000	—
Total	¥2,000,000	¥8,700,000	$21,496,130

10. OTHER LIABILITIES

Other liabilities as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2010	2009	2010
Domestic exchange settlement accounts—credit	¥ 19,592	¥ 20,177	$ 210,579
Income taxes payable	35,829	42,313	385,096
Accrued expenses	859,024	792,908	9,232,850
Unearned income	49	22	530
Derivatives other than that for trading	17,530	23,304	188,421
Other	591,695	303,513	6,359,584
Total	¥1,523,721	¥1,182,240	$16,377,063

11. CONTINGENT LIABILITIES

The Bank 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, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
One year or less	¥35,463	¥ 38,888	$381,167
Over one year	49,130	89,202	528,059
Total	¥84,594	¥128,090	$909,226

The Bank had to establish an integrated information processing system for the JAPAN POST GROUP. The JAPAN POST GROUP has signed contracts for the outsourcing of the provision of communications services for the fourth-generation system for business operations and for the outsourcing of the provision of communications services for the fourth-generation system for management information.

12. OTHER OPERATING INCOME

Other operating income for the fiscal years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Gain on sales of bonds including Japanese Government Bonds	¥13,003	¥53,067	$139,764
Gains on redemption of bonds including Japanese Government Bonds	55	—	593
Other	0	723	0
Total	¥13,058	¥53,791	$140,358

13. OTHER INCOME

Other income for the fiscal years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Gains on sales and disposal of fixed assets	¥ 6	—	$ 70
Reversal of reserve for possible loan losses	—	¥ 417	—
Recoveries of written-off loans	34	47	370
Gains on money held in trusts	12,578	—	135,192
Other	7,722	12,500	83,006
Total	¥20,342	¥12,965	$218,640

14. OTHER OPERATING EXPENSES

Other operating expenses for the fiscal years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Losses on foreign exchanges	¥ 8,650	¥ 536	$ 92,975
Losses on sales of bonds including Japanese Government Bonds	1,429	52,915	15,359
Losses on redemption of bonds including Japanese Government Bonds	—	0	—
Total	¥10,079	¥53,452	$108,334

15. OTHER EXPENSES

Other expenses for the fiscal years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Provision for reserve for possible loan losses	¥ 484	—	$ 5,204
Losses on money held in trust	10,200	¥100,200	109,635
Losses on sales and disposals of fixed assets	409	1,432	4,406
Losses on impairment of fixed assets	432	63	4,651
Other	1,800	5,189	19,353
Total	¥13,328	¥106,885	$143,252

16. SHAREHOLDER'S EQUITY

The Corporate Law of Japan requires that all shares of common stock be issued with no par value and at least 50% of the amount paid of new shares is required to be recorded as common stock and the remaining net proceeds as capital reserve, which is included in capital surplus. 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 resolution of the board of directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, capital reserve, or legal reserve that could be transferred to retained earnings or other capital surplus other than capital reserve upon approval of such transfer at the annual general meeting of shareholders.

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

Type and number of outstanding shares issued for the fiscal years ended March 31, 2010 and 2009 were as follows:

	Thousand shares				
	2010				
Type of shares	Authorized	March 31, 2009	Increase	Decrease	March 31, 2010
Common stock	600,000	150,000	—	—	150,000

	Thousand shares				
	2009				
Type of shares	Authorized	March 31, 2008	Increase	Decrease	March 31, 2009
Common stock	600,000	150,000	—	—	150,000

Dividends distributed during the fiscal year ended March 31, 2010:

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 20, 2009	Common stock	¥57,300	$615,864	¥382	$4.10	March 31, 2009	May 21, 2009

Dividends distributed during the fiscal year ended March 31, 2009

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 29, 2008	Common stock	¥22,800	¥152	March 31, 2008	May 30, 2008

Of dividends whose record date was included in the fiscal years ended March 31, 2010 and 2009, those whose effective date occurs after the fiscal year's closing

2010							
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 13, 2010	Common stock	¥74,100	$796,431	¥494	$5.30	March 31, 2010	May 14, 2010

2009					
Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 20, 2009	Common stock	¥57,300	¥382	March 31, 2009	May 21, 2009

17. CASH AND CASH EQUIVALENTS

The reconciliation between cash and cash equivalents in the statement of cash flows and cash and due from banks in the balance sheet as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and due from banks	¥ 4,440,804	¥ 5,999,116	$ 47,730,055
Due from banks, excluding negotiable certificates of deposit in other banks	(1,080,000)	(3,300,000)	(11,607,910)
Cash and cash equivalents	¥ 3,360,804	¥ 2,699,116	$ 36,122,144

18. LEASES

Operating lease transactions:

Future lease payments on noncancelable operating leases as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Due within one year	¥ 490	¥ 508	$ 5,267
Due over one year	941	1,086	10,121
Total	¥1,431	¥1,594	$15,389

19. SECURITIES

As of the end of the fiscal year ended March 31, 2010, the Bank had the rights to sell or pledge without restriction for securities held amounting to ¥2,511,023 million ($26,988,647 thousand) among the securities borrowed under the contract of loan for consumption (securities borrowing transactions) as well as those purchased under resale agreements and those borrowed with cash collateral under securities lending agreements.

As of the end of the fiscal year ended March 31, 2009, the Bank had the rights to sell or pledge without restriction for securities held amounting to ¥727,271 million among the securities borrowed under the contract of loan for consumption (securities borrowing transactions) as well as those purchased under resale agreements and those borrowed with cash collateral under securities lending agreements.

20. FINANCIAL INSTRUMENTS

a. Notes related to the conditions of financial instruments

(1) Policy for handling financial instruments

The Bank's operations comprise deposit-taking up to designated limits, syndicated loans and other lending, securities investment, foreign exchange, retail sales of Japanese Government Bonds and investment trusts, intermediary services including mortgages, and credit card operations.

The Bank raises funds primarily through deposits from individuals, and subsequently manages those funds by investing in securities including Japanese bonds, which mainly consist of Japanese Government Bonds, foreign bonds, etc. as well as by making loans. Most of these financial assets and liabilities are subject to price fluctuations associated with interest rate 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 Bank including affecting the stability of its earnings. The Bank 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 and foreign exchange forward contracts.

Since its incorporation in October 2007, the Bank 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 Bank 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 Bank are securities including Japanese bonds, which mainly consist of Japanese Government Bonds, and foreign bonds. These financial assets contain credit risk with regard to the issuer and risks associated with interest rate fluctuations, market price movements, and other factors. Financial assets also include loans and equity investments via money held in trust, but the amount of these investments is significantly less than for bonds and other securities.

From the viewpoints of the Bank's asset and liability management (ALM), the Bank utilizes interest rate swaps as hedging instruments for interest rate-related transactions to avoid the risk of changes in future economic values of securities, loans, and time deposits on fluctuations of the yen interest rate. For currency-related transactions, the Bank utilizes foreign exchange futures as hedging instruments to avoid the risk of foreign exchange fluctuations in connection with the translation of foreign currency denominated assets (bonds) held by the Bank and related yen translation amounts of redemption of principal and interest.

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

In principle, the Bank applies the deferred hedge accounting method for hedges of interest rate risk on its monetary assets and liabilities. The Bank considers its hedging activities for offsetting changes in fair value to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items and the hedging instruments are almost the same as the conditions stipulated for special accounting treatment for interest rate swaps. For some financial assets and liabilities, the Bank applies special accounting treatment for interest rate swaps.

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

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

(3) Risk management structure for financial instruments

a) Basic approach

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 review risk management policies and measures.

b) Credit risk

The Bank 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 Bank monitors and manages credit risk by first setting appropriate risk limits to reflect risk capital allocations. The Bank then ensures that credit risk does 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 Bank has set credit limits for individual companies and corporate groups according to their creditworthiness and monitors the portfolios in an appropriate manner by adhering to these limits. The Risk Management Department oversees the Bank's internal credit rating system, self-assessments of loans, and other credit risk management activities. The Credit Office 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 Bank's ALM policy, the Bank 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, and share price fluctuations. However, based on internal guidelines regarding market risk management, the Bank measures the amount of market risk using the VaR statistical method. The Bank sets appropriate risk limits to reflect risk capital allocations and then ensures that market risk does not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

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 Bank has a distinctive asset and liability structure, with Japanese Government Bonds 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 Bank's profit structure, the Bank 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 Bank manages market risk that arises from derivative transactions by separating responsibility for 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 Bank'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 Bank 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 Bank determines the fair value of financial instruments based on the market price, but could use a rational estimate in cases where a market price does not exist. Various assumptions are used in these price estimates, and these prices may differ based on different assumptions and other factors.

b. Notes related to the fair values of financial instruments

The amounts on the balance sheet, the fair values, and the differences between the two as of March 31, 2010, were as follows. The fair values for unlisted equities are left out of the table below as it is extremely difficult to determine the fair value for these equities.

	Millions of yen		
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 4,440,804	¥ 4,440,804	—
(2) Call loans	261,649	261,649	—
(3) Receivables under securities borrowing transactions	2,495,622	2,495,622	—
(4) Monetary claims bought	124,082	124,082	—
(5) Trading account securities			
Securities classified as trading purposes	196	196	—
(6) Money held in trust	1,015,355	1,015,355	—
(7) Securities			
Held-to-maturity securities	127,873,903	130,898,578	¥3,024,675
Available-for-sale securities	50,355,884	50,355,884	—
(8) Loans	4,022,547		
Reserve for possible loan losses**	(177)		
	4,022,370	4,072,076	49,706
(9) Other assets			
Deposits (to the fiscal loan fund)	2,000,000	2,000,000	—
Total assets	192,589,869	195,664,250	3,074,381
(1) Deposits	175,797,715	176,216,611	418,895
(2) Payables under securities lending transactions	6,236,017	6,236,017	—
(3) Borrowed money	2,000,000	2,000,000	—
Total liabilities	184,033,732	184,452,628	418,895
Derivative transactions***			
For which hedge accounting is not applied	207	207	—
For which hedge accounting is applied	(261)	(261)	—
Total derivative transactions	¥ (54)	¥ (54)	¥ —

* Items with negligible significance in terms of balance sheet amounts are omitted.

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

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

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

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

	Thousands of U.S. dollars		
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	$ 47,730,055	$ 47,730,055	—
(2) Call loans	2,812,220	2,812,220	—
(3) Receivables under securities borrowing transactions	26,823,117	26,823,117	—
(4) Monetary claims bought	1,333,650	1,333,650	—
(5) Trading account securities			
Securities classified as trading purposes	2,112	2,112	—
(6) Money held in trust	10,913,108	10,913,108	—
(7) Securities			
Held-to-maturity securities	1,374,397,067	1,406,906,474	$32,509,407
Available-for-sale securities	541,228,336	541,228,336	—
(8) Loans	43,234,608		
Reserve for possible loan losses**	(1,909)		
	43,232,699	43,766,945	534,246
(9) Other assets			
Deposits (to the fiscal loan fund)	21,496,130	21,496,130	—
Total assets	2,069,968,499	2,103,012,152	33,043,653
(1) Deposits	1,889,485,333	1,893,987,653	4,502,320
(2) Payables under securities lending transactions	67,025,120	67,025,120	—
(3) Borrowed money	21,496,130	21,496,130	—
Total liabilities	1,978,006,585	1,982,508,905	4,502,320
Derivative transactions***			
For which hedge accounting is not applied	2,225	2,225	—
For which hedge accounting is applied	(2,812)	(2,812)	—
Total derivative transactions	$ (587)	$ (587)	$ —

* Items with negligible significance in terms of balance sheet amounts are omitted.

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

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

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

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

(Note 1)

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 Bank uses the book value. For due from banks that have a maturity date, contract tenors are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value.

(2) Call loans and (3) Receivables under securities borrowing transactions

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

(4) Monetary claims bought

The Bank uses the price displayed by the broker, etc.

(5) Trading account securities

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

(6) Money held in trust

For invested securities representing trust assets in money held in trust, the Bank uses the price at the exchange market for equities and the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association for bonds as the fair value.

Notes pertaining to money held in trust are included in the below "g. Money held in trust" of Note 21. FAIR VALUE INFORMATION FOR SECURITIES by purpose held.

(7) Securities

For bonds, the Bank uses a price calculated based on the exchange price, the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association, and the comparable price method, or the price displayed by the broker, etc as the fair value. The Bank uses the funds' unit price for investment trust as the fair value.

Notes pertaining to bonds are included in the below Note 21. FAIR VALUE INFORMATION FOR SECURITIES by purpose held.

(8) Loans

Loans with floating interest rates reflect market interest rates over the short term. Unless a borrower's credit standing has changed significantly after the loan was made, the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value. For fixed-rate loans, the Bank 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 collateralized within a designated percentage of the loan, the fair value is approximately the same as the book value based on the repayment period, interest rate conditions, etc., and therefore the Bank uses the book value as the fair value.

(9) Other assets

Deposits (to the fiscal loan fund) recorded under other assets are settled within a short term (within one year), consequently the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

Liabilities

(1) Deposits

For demand deposits including transfer deposits and ordinary deposits, the Bank uses the amount to be paid on the settlement date in the event a request is made (the book value) as the fair value.

For fixed-term deposits including time deposits and TEIGAKU deposits, the Bank 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 Bank uses the interest rates on newly accepted fixed-term deposits as the discount rate.

(2) Payables under securities lending transactions

Payables under securities lending transactions are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

(3) Borrowed money

The repayment period for borrowed money is short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

Derivative transactions

Derivative transactions consist of interest rate-related transactions (interest rate swaps) and currency-related transactions (foreign exchange forward contracts), and the Bank calculates the fair value using factors including discounted present value, etc.

(Note 2)

Financial instruments for which the Bank deems it extremely difficult to determine a fair value were as follows. The fair value information for these financial instruments is not included in "Assets (7) Securities".

	Millions of yen	Thousands of U.S. dollars
Type	Amount on the balance sheet	Amount on the balance sheet
Unlisted equities*	¥900	$9,673

* Unlisted equities are omitted from fair value disclosure because they do not have a market price, and consequently it is deemed extremely difficult to determine a fair value.

(Note 3)

Scheduled redemption amounts of monetary claims and securities with a maturity date subsequent to the fiscal year ended March 31, 2010 were as follows:

	Millions of yen					
	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	¥ 4,323,257	—	—	—	—	—
Call loans	261,649	—	—	—	—	—
Receivables under securities borrowing transactions	2,495,622	—	—	—	—	—
Monetary claims bought	2,440	¥ 27,993	¥ 11,953	¥ 3,347	¥ 1,766	¥ 76,581
Securities						
Held-to-maturity securities	20,310,629	40,046,297	25,817,430	23,877,754	17,548,331	273,458
Japanese Government Bonds	18,632,471	37,708,081	23,635,359	22,482,526	15,104,763	273,458
Japanese local government bonds	779,350	860,146	1,330,316	697,333	44,457	—
Japanese corporate bonds	898,807	1,478,069	848,259	683,034	2,395,336	—
Other securities	—	—	3,495	14,860	3,774	—
Available-for-sale securities (with maturity date)	13,837,687	12,292,724	8,339,923	3,926,134	6,927,385	3,978,270
Japanese Government Bonds	12,717,404	10,022,771	4,860,411	2,548,701	4,881,425	3,024,187
Japanese local government bonds	17,775	109,331	302,514	303,918	801,754	42,302
Japanese corporate bonds	1,032,355	1,385,851	1,446,270	361,105	890,410	861,727
Other securities	70,152	774,769	1,730,727	712,407	353,793	50,053
Loans	637,405	682,102	990,489	555,714	626,738	530,097
Deposits (to the fiscal loan fund)	2,000,000	—	—	—	—	—
Total	¥43,868,692	¥53,049,117	¥35,159,797	¥28,362,950	¥25,104,222	¥4,858,409

	Thousands of U.S. dollars					
	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	$ 46,466,655	—	—	—	—	—
Call loans	2,812,220	—	—	—	—	—
Receivables under securities borrowing transactions	26,823,117	—	—	—	—	—
Monetary claims bought	26,226	$ 300,874	$ 128,473	$ 35,978	$ 18,990	$ 823,107
Securities						
Held-to-maturity securities	218,299,972	430,420,221	277,487,434	256,639,667	188,610,618	2,939,153
Japanese Government Bonds	200,263,020	405,288,922	254,034,389	241,643,662	162,346,987	2,939,153
Japanese local government bonds	8,376,511	9,244,910	14,298,332	7,494,990	477,832	—
Japanese corporate bonds	9,660,439	15,886,388	9,117,148	7,341,297	25,745,235	—
Other securities	—	—	37,564	159,717	40,563	—
Available-for-sale securities (with maturity date)	148,728,374	132,123,003	89,638,045	42,198,344	74,455,989	42,758,715
Japanese Government Bonds	136,687,491	107,725,406	52,240,015	27,393,608	52,465,883	32,504,168
Japanese local government bonds	191,049	1,175,100	3,251,450	3,266,540	8,617,311	454,664
Japanese corporate bonds	11,095,825	14,895,225	15,544,610	3,881,188	9,570,194	9,261,908
Other securities	754,007	8,327,271	18,601,968	7,657,006	3,802,599	537,974
Loans	6,850,876	7,331,285	10,645,849	5,972,852	6,736,222	5,697,523
Deposits (to the fiscal loan fund)	21,496,130	—	—	—	—	—
Total	$471,503,572	$570,175,384	$377,899,802	$304,846,843	$269,821,820	$52,218,499

(Note 4)

Scheduled repayment amounts of borrowed money and other interest-bearing liabilities subsequent to fiscal year ended March 31, 2010 were as follows:

	Millions of yen					
	One Year or Less	> One and ≤Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	¥ 94,277,034	¥13,432,696	¥7,747,545	¥13,491,067	¥ 46,849,371	¥—
Payables under securities lending transactions	6,236,017	—	—	—	—	—
Borrowed money	2,000,000	—	—	—	—	—
Total	¥102,513,051	¥13,432,696	¥7,747,545	¥13,491,067	¥46,849,371	¥—

* Demand deposits are included in “One Year or Less”.

	Thousands of U.S. dollars					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	$1,013,295,725	$144,375,504	$83,271,124	$145,002,872	$503,540,106	$—
Payables under securities lending transactions	67,025,120	—	—	—	—	—
Borrowed money	21,496,130	—	—	—	—	—
Total	$1,101,816,977	$144,375,504	$83,271,124	$145,002,872	$503,540,106	$—

* Demand deposits are included in “One Year or Less”.

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Financial Statements

Financial Data

21. FAIR VALUE INFORMATION FOR SECURITIES

Securities discussed here include trading account securities, negotiable certificates of deposit recorded under cash and due from banks, trust beneficiary interests recorded under monetary claims bought and money held in trust, as well as Japanese Government Bonds, Japanese local government bonds, Japanese corporate bonds, commercial paper, Japanese stocks, and other securities listed on the balance sheet.

a. Trading account securities

There were no unrealized gains or losses from trading account securities included in the profit and loss recorded in the statement of income for the fiscal year ended March 31, 2010.

Net unrealized gains and amount on the balance sheet on trading account securities for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2010		2009		2010	
	Amount on the balance sheet	Net unrealized gains	Amount on the balance sheet	Net unrealized gains	Amount on the balance sheet	Net unrealized gains
Trading account securities	¥196	—	¥159	—	$2,112	—

b. Held-to-maturity securities

	Type	Millions of yen 2010 Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	¥116,086,507	¥118,889,842	¥2,803,334
	Japanese local government bonds	3,711,605	3,815,934	104,329
	Japanese corporate bonds	5,877,246	5,999,049	121,802
	Others	22,129	26,744	4,615
	Total	125,697,488	128,731,570	3,034,082
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	1,750,154	1,743,161	(6,992)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	426,260	424,514	(1,746)
	Others	—	—	—
	Total	2,176,414	2,167,676	(8,738)
Total		¥127,873,903	¥130,899,246	¥3,025,343

	Type	Millions of yen 2009 Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	¥119,610,125	¥121,953,899	¥2,343,773
	Japanese local government bonds	5,030,799	5,109,352	78,553
	Japanese corporate bonds	5,009,699	5,085,234	75,535
	Others	—	—	—
	Total	129,650,625	132,148,487	2,497,861
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	3,924,194	3,877,194	(47,000)
	Japanese local government bonds	248,206	246,607	(1,598)
	Japanese corporate bonds	542,780	541,079	(1,701)
	Others	—	—	—
	Total	4,715,181	4,664,881	(50,300)
Total		¥134,365,807	¥136,813,368	¥2,447,561

Type		Thousands of U.S. dollars		
		2010		
		Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	$1,247,705,366	$1,277,835,793	$30,130,427
	Japanese local government bonds	39,892,576	41,013,914	1,121,337
	Japanese corporate bonds	63,169,030	64,478,173	1,309,142
	Others	237,845	287,449	49,604
	Total	1,351,004,818	1,383,615,330	32,610,511
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	18,810,769	18,735,617	(75,152)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	4,581,479	4,562,708	(18,770)
	Others	—	—	—
	Total	23,392,248	23,298,326	(93,922)
Total		$1,374,397,067	$1,406,913,657	$32,516,589

c. Investments in subsidiaries and affiliates

For the fiscal years ended March 31, 2010 and 2009, there were no investments in affiliates whose fair value was available.

Note: Securities of subsidiaries and affiliates whose fair value cannot be reliably determined for the fiscal years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
	Amount on the balance sheet	Amount on the balance sheet	Amount on the balance sheet
Securities of affiliates	¥900	¥900	$9,673
Total	¥900	¥900	$9,673

d. Available-for-sale securities whose fair value is available:

Type		Millions of yen		
		2010		
		Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds			
	Japanese Government Bonds	¥28,143,112	¥27,786,574	¥356,538
	Japanese local government bonds	1,462,406	1,426,534	35,872
	Japanese corporate bonds	5,179,572	5,077,966	101,606
	Others	4,126,931	4,031,855	95,075
	Total	38,912,023	38,322,930	589,093
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds			
	Japanese Government Bonds	9,911,789	9,915,754	(3,965)
	Japanese local government bonds	115,190	115,548	(357)
	Japanese corporate bonds	798,149	799,353	(1,203)
	Others	1,822,814	1,832,626	(9,811)
	Total	12,647,943	12,663,282	(15,339)
Total		¥51,559,967	¥50,986,213	¥573,754

Type		Millions of yen		
		2009		
		Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds			
	Japanese Government Bonds	¥19,367,401	¥19,130,501	¥ 236,899
	Japanese local government bonds	735,574	725,668	9,905
	Japanese corporate bonds	3,028,638	2,998,834	29,804
	Others	542,370	533,012	9,357
	Total	23,673,984	23,388,016	285,967
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds			
	Japanese Government Bonds	12,588,434	12,660,137	(71,702)
	Japanese local government bonds	162,631	163,347	(715)
	Japanese corporate bonds	1,842,247	1,853,169	(10,921)
	Others	4,283,542	4,320,488	(36,946)
	Total	18,876,855	18,997,143	(120,287)
Total		¥42,550,840	¥42,385,159	¥ 165,680

Type		Thousands of U.S. dollars		
		2010		
		Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds			
	Japanese Government Bonds	$302,484,016	$298,651,920	$3,832,096
	Japanese local government bonds	15,718,045	15,332,480	385,564
	Japanese corporate bonds	55,670,385	54,578,313	1,092,072
	Others	44,356,527	43,334,646	1,021,880
	Total	418,228,974	411,897,360	6,331,614
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds			
	Japanese Government Bonds	106,532,557	106,575,181	(42,624)
	Japanese local government bonds	1,238,072	1,241,920	(3,847)
	Japanese corporate bonds	8,578,567	8,591,504	(12,936)
	Others	19,591,725	19,697,184	(105,459)
	Total	135,940,923	136,105,790	(164,867)
Total		$554,169,898	$548,003,151	$6,166,746

e. Held-to-maturity securities

Held-to-maturity securities sold during the fiscal years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		
	2010		
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	¥2,690,177	¥2,691,369	¥1,192
Total	¥2,690,177	¥2,691,369	¥1,192

	Millions of yen		
	2009		
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	¥6,039,501	¥6,039,766	¥265
Total	¥6,039,501	¥6,039,766	¥265

	Thousands of U.S. dollars		
	2010		
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	$28,914,201	$28,927,018	$12,817
Total	$28,914,201	$28,927,018	$12,817

These held-to-maturity securities were sold in accordance with Article 282 of the Industry Audit Committee Report No. 14 (“Practical Guidance on Accounting for Financial Instruments”) issued by the Japanese Institute of Certified Public Accountants (JICPA).

Realized gains are included in “Interest and dividends on securities” in the accompanying statements of income.

f. Available-for-sale securities

Available-for-sale securities sold during the fiscal years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		
	2010		
	Sales proceeds	Total realized gains	Total realized losses
Bonds			
Japanese Government Bonds	¥7,029,494	¥13,003	¥1,238
Others			
Foreign bonds	36,284	—	190
Total	¥7,065,778	¥13,003	¥1,429

	Millions of yen		
	2009		
	Sales proceeds	Total realized gains	Total realized losses
Available-for-sale securities	¥7,057,106	¥53,067	¥52,915
Total	¥7,057,106	¥53,067	¥52,915

	Thousands of U.S. dollars		
	2010		
	Sales proceeds	Total realized gains	Total realized losses
Bonds			
Japanese Government Bonds	$75,553,462	$139,764	$13,307
Others			
Foreign bonds	389,988	—	2,052
Total	$75,943,450	$139,764	$15,359

g. Money held in trust

The Bank did not hold money held in trust for the purpose of trading nor holding to maturity for the fiscal years ended March 31, 2010 and 2009.

Money held in trust (excluding investment and held-to-maturity purposes) as of March 31, 2010 and 2009 was as follows:

	Millions of yen				
	2010				
	Amount on the balance sheet	Acquisition cost	Difference	Those for which the amount on the balance sheet exceeds the acquisition cost	Those for which the amount on the balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	¥1,015,355	¥944,044	¥71,311	¥113,828	¥(42,516)

	Millions of yen				
	2009				
	Amount on the balance sheet	Acquisition cost	Difference	Those for which the amount on the balance sheet exceeds the acquisition cost	Those for which the amount on the balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	¥1,224,742	¥1,418,878	¥(194,135)	¥6,201	¥200,337

	Thousands of U.S. dollars				
	2010				
	Amount on the balance sheet	Acquisition cost	Difference	Those for which the amount on the balance sheet exceeds the acquisition cost	Those for which the amount on the balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	$10,913,108	$10,146,647	$766,461	$1,223,436	$(456,974)

Notes: 1. The amounts on the balance sheet are stated at the average market price of the final month for the fiscal year for equity securities and at the market price at the balance sheet date for other securities.

2. "Those for which the amount on the balance sheet exceeds the acquisition cost" and "Those for which the amount on the balance sheet does not exceed the acquisition cost" represent the breakdown of the "Difference" for the respective items.

3. For the securities (equity securities) with market quotations that were under management as trust assets, whose fair value showed a substantial decline from their acquisition cost and was not judged to recover to its book value, the Bank reduced its book value of securities at fair value on the balance sheet and charged valuation differences to income (hereafter "impairment losses") in the year in which they are recognized. The amount of impairment losses for the fiscal years ended March 31, 2010 and 2009 amounted to ¥8,270 million ($88,889 thousand) and ¥56,131 million, respectively. Securities were judged as impaired when their fair values showed a substantial decline from their book value.

The criteria for determining if such a decline is significant are as follows:

• 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

h. Unrealized gains (losses) on available-for-sale securities:

Unrealized gains (losses) on available-for-sale securities for the fiscal years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Valuation differences:	¥ 645,065	¥ (28,455)	$ 6,933,208
Available-for-sale securities	573,754	165,680	6,166,746
Available-for-sale money held in trust	71,311	(194,135)	766,461
Deferred tax assets (liabilities)	(262,472)	11,578	(2,821,067)
Unrealized gains (losses) on available-for-sale securities	¥ 382,593	¥ (16,877)	$ 4,112,141

22. DERIVATIVES

a. Details of derivative transactions

(1) Derivative instruments

Derivative instruments which the Bank is utilizing include the following:

• Interest rate-related instruments: Interest rate swaps

• Currency-related instruments: Foreign exchange forward contracts

(2) Purposes and policies of using derivatives

From the viewpoints of the Bank's asset and liability management (ALM), the Bank utilizes interest rate swaps as hedging instruments for interest rate related transactions to avoid the risk of changes in future economic values of securities, loans, and time deposits on fluctuations of the yen interest rate. For currency-related transactions, the Bank utilizes foreign exchange forward contracts as hedging instruments to avoid the risk of foreign exchange fluctuations in connection with the translation of foreign currency denominated assets (bonds) held by the Bank and related yen translation amounts of redemption of principal and interest.

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

It is the Bank's policy to enter into derivative contracts in compliance with the "Basic Plan for ALM". Execution of transactions is compliant with defined internal rules including operating procedures for yen interest rate derivative transactions and operating procedures for foreign exchange hedging activities.

(3) Nature of risk

Derivatives involve principally market risk and credit risk.

The Bank defines market risk as the risk by which the Bank might be adversely affected arising from the changes in the value of assets and liabilities (including off-balance sheet items) due to changes in market risk factors, such as interest rates, foreign exchange rates, and stock prices, or by which the Bank might be affected arising from changes in earnings generated from assets and liabilities. The Bank does not enter into derivative contracts for speculative purposes, but for hedging purposes. Market risk involved in derivatives is mitigated and limited since the Bank designates derivatives as hedges and manages derivatives so that the risk profile would become homogeneous between hedged items and the derivatives as hedging instruments.

The Bank also defines credit risk as the risk that the value of assets (including off-balance sheet assets) might diminish or vanish and thus the Bank might be damaged from the deterioration of financial positions of credit counterparties. The counterparties of the Bank are mostly financial institutions with high credit ratings and credit risk is controlled by setting credit lines.

(4) Risk control system

The Bank has established the Risk Management Department as a middle office, systematically segregated from the front office and back office. The department is engaged in monitoring and controlling market risk and credit risk. Market risk of derivatives is controlled by measuring market risk exposure using VaR (Value at Risk) together with other assets and liabilities, and setting market risk limits and limits to market risk exposure to identify maximum losses, so that market risk exposure is maintained within the allocated amount of capital. In addition, credit risk is managed so that the credit balance per individual counterparties, calculated based on a current exposure method in which the fair value and future price fluctuation risk of derivatives are factored, remains within the credit line set by taking into account the credit status of individual counterparties.

b. Fair value of derivative transactions

(1) Derivatives for which hedge accounting not applied as of March 31, 2010 and 2009

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 method for calculating the corresponding fair value are as follows. The amount shown as the contract amount, etc. does not show market risk related to the derivative transactions.

a) Interest rate-related instruments: None as of March 31, 2010 and 2009

b) Currency-related instruments as of March 31, 2010 and 2009:

The Bank had the following derivative transactions outstanding as of March 31, 2010 and 2009:

Currency-related transactions (as of March 31, 2010)

		Millions of yen			
		2010			
Category	Type	Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts–bought	¥11,822	¥—	¥207	¥207
	Total	——	——	¥207	¥207

Currency-related transactions (as of March 31, 2009)

		Millions of yen			
		2009			
Category	Type	Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts–bought	¥1,890	¥—	¥20	¥20
	Total	——	——	¥20	¥20

Currency-related transactions (as of March 31, 2010)

		Thousands of U.S. dollars			
		2010			
Category	Type	Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts–bought	$127,064	$—	$2,225	$2,225
	Total	——	——	$2,225	$2,225

Notes: 1. The above transactions are stated at fair value and unrealized gains (losses) are charged to income or expenses in the statement of income.

2. The fair value is determined using the discounted present value of future cash flows.

c) Equity-related derivatives: None as of March 31, 2010 and 2009

d) Bond-related derivatives: None as of March 31, 2010 and 2009

e) Commodity-related derivatives: None as of March 31, 2010 and 2009

f) Credit derivatives: None as of March 31, 2010 and 2009

(2) Derivatives for which hedge accounting applied as of March 31, 2010

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

a) Interest rate-related transactions

			Millions of yen		
			2010		
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	Available-for-sale securities			
	Pay fixed swaps, receive floating swaps	(Japanese Government Bonds)	¥1,470,830	¥1,470,830	¥8,512
	Total		—	—	¥8,512

			Thousands of U.S. dollars		
			2010		
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	Available-for-sale securities			
	Pay fixed swaps, receive floating swaps	(Japanese Government Bonds)	$15,808,576	$15,808,576	$91,490
	Total		—	—	$91,490

Notes: 1. The deferred hedge method is basically 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 present value of future cash flows.

b) Currency-related transactions

Hedge accounting method	Type	Primary hedged instrument	Millions of yen 2010 Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value (Note 2)
Standard treatment	Foreign exchange forward contracts—sold	Available-for-sale securities (Foreign securities)	¥401,031	¥384,458	¥ (8,773)
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities (Foreign securities)	28,626	27,701	(Note 3)
	Total		——	——	¥ (8,773)

Hedge accounting method	Type	Primary hedged instrument	Thousands of U.S. dollars 2010 Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value (Note 2)
Standard treatment	Foreign exchange forward contracts—sold	Available-for-sale securities (Foreign securities)	$4,310,309	$4,132,184	$(94,303)
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to-maturity securities (Foreign securities)	307,674	297,739	(Note 3)
	Total		——	——	$(94,303)

Notes: 1. Deferred hedging is used to hedge the risk from market exchange rate fluctuations for foreign currency-denominated securities.
2. The fair value is determined using the discounted present value of future cash flows.
3. The accounting method translating foreign currency receivables at forward rates is treated as being an inseparable part of the contract being hedged, and the fair value is therefore included in the fair value of the corresponding contract under Note 20. FINANCIAL INSTRUMENTS.

23. LOANS

"Loans to bankrupt borrowers", "Past-due loans", "Past-due loans for three months or more", and "Restructured loans" did not exist as of March 31, 2010 and 2009.

Contracts of overdraft facilities and loan commitments are contracts with customers to lend funds up to a certain limit agreed in advance. The Bank will make the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of various terms and conditions stipulated in the relevant loan agreement.

The unused commitment balance relating to these loan agreements as of March 31, 2010 amounted ¥5,235 million ($56,266 thousand). Of this amount, ¥2,500 million ($26,870 thousand) related to loans in which the term of the agreement was less than one year, or the unconditional cancellation of the agreement was allowed at any time.

The unused commitment balance relating to these loan agreements as of March 31, 2009 amounted ¥26,200 million. Of this amount, ¥26,200 million related to loans in which the term of the agreement was less than one year or unconditional cancellation of the agreement was allowed at any time.

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. Conditions are included in certain loan agreements that allow the Bank 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 Bank's credit. At the inception of contracts, the Bank has the obligor pledge collateral to the Bank in the form of real estate, securities, etc., if considered to be necessary. Subsequently, the Bank reviews the obligor's financial condition in accordance with the Bank established internal procedures and takes necessary measures to protect its credit.

24. RESERVE FOR RETIREMENT BENEFITS

The Bank has a lump-sum retirement payment plan for employees based on the internal retirement benefit rule.

Reserve for employees' retirement benefits as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥(126,275)	¥ (124,752)	$(1,357,212)
Unfunded projected benefit obligation	(126,275)	(124,752)	(1,357,212)
Unrecognized net actuarial losses	(2,740)	(2,832)	(29,452)
Net amount recorded on the balance sheets	(129,015)	(127,584)	(1,386,664)
Reserve for employees' retirement benefits	¥(129,015)	¥ (127,584)	$(1,386,664)

The breakdown of total retirement benefit costs for the years ended March 31, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥5,965	¥5,922	$64,119
Interest cost on projected benefit obligation	2,128	2,117	22,879
Amortization of unrecognized net actuarial losses	(288)	(57)	(3,105)
Total retirement benefit costs	¥7,805	¥7,982	$83,893

Assumptions used in the calculation of the above information for the years ended March 31, 2010 and 2009 are set forth as follows:

	2010	2009
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
Discount rate	1.7%	1.7%
Amortization period of unrecognized actuarial losses	10 years	10 years

25. INCOME TAXES

Income taxes, which consist of corporation, inhabitant, and enterprise taxes, are calculated based on taxable income.

The Bank is subject to Japanese national and local income taxes that, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.69% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Reserve for possible loan losses	¥ 633	¥ 442	$ 6,805
Reserve for employees' retirement benefits	52,495	51,913	564,222
Accumulated depreciation	17,457	20,847	187,633
Accrued interest on deposits	27,825	22,265	299,073
Impairment losses of money held in trust	11,235	11,764	120,762
Net unrealized losses on available-for-sale securities		11,578	
Other	16,683	26,213	179,318
Total deferred tax assets	126,331	145,025	1,357,817
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(262,472)	—	(2,821,067)
Other	(9,067)	—	(97,459)
Total deferred tax liabilities	(271,539)	3,751	(2,918,526)
Net deferred tax assets (liabilities)	¥(145,208)	¥141,273	$(1,560,709)

For the fiscal years ended March 31, 2010 and 2009, the difference between the effective income tax rate and effective tax payout ratio was less than 5%.

26. PROFIT OR LOSS FROM EQUITY METHOD

The details for the fiscal years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Investments in affiliates	¥900	¥ 900	$9,673
Investments, if equity method accounting is adopted	805	791	8,662
Investment gains (losses), if equity method accounting is adopted	14	(108)	159

MD&A

Financial Statements

Financial Data

27. RELATED PARTY TRANSACTIONS

a. Transactions with related parties

(1) Transactions between the Bank and related parties for the years ended March 31, 2010 and 2009 were as follows:

For the year ended March 31, 2010

JAPAN POST HOLDINGS Co., Ltd. (Parent company)

Ownership of voting rights held	100% of the Bank's shares	
Capital	¥3,500,000 million ($37,618,228 thousand)	
Nature of transactions	Concurrent holding of positions by executive management directors	
Details of transactions	Payments of grants*	
	Transaction amount: ¥73,008 million ($784,702 thousand)	
	Payments of IT system (PNET) service charge**	
	Transaction amount: ¥37,619 million ($404,335 thousand) Payments of management fees*** Transaction amount: ¥4,431 million ($47,632 thousand)	
Account	Other liabilities**	Other liabilities***
Outstanding balance at end of the fiscal year	¥3,315 million ($35,635 thousand)	¥387 million ($4,167 thousand)

* Payment is made pursuant to Article 122 of the Postal Service Privatization Law.

** Payment is made for data processing services using JAPAN POST GROUP internal networks in accordance with a contract with the parent company, at rates determined based on general transactions.

*** Payment of management fees is determined based on the total costs incurred in regard to business management conducted by the parent company.

For the year ended March 31, 2009

JAPAN POST HOLDINGS Co., Ltd. (Parent company)

Ownership of voting rights held	100% of the Bank's shares
Capital	¥3,500,000 million
Nature of transactions	Concurrent holding of positions by executive management directors
Details of transactions	Payments of grants*
Transaction amount	¥97,732 million
Account	—
Outstanding balance at end of the fiscal year	—

* Payment is made pursuant to Article 122 of the Postal Service Privatization Law.

(2) Transactions between the Bank and unconsolidated subsidiaries or affiliates:

None for the fiscal years ended March 31, 2010 and 2009

(3) Transactions between the Bank and companies with the same parent or subsidiaries of the Bank's affiliates for the years ended March 31, 2010 and 2009 were as follows:

For the year ended March 31, 2010

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

Ownership of voting rights held	Nil		
Capital	¥100,000 million ($1,074,806 thousand)		
Nature of transactions	Consignment of banking agency operations and Concurrent holding of positions by executive management directors		
Details of transactions	Payment of consignment fees*	Receipt and payment of funds related to banking agency operations	
Transaction amount	¥632,587 million ($6,799,091 thousand)	¥1,347,287 million ($14,480,735 thousand)	—
Account	Other liabilities	Other assets**	Other assets***
Outstanding balance at end of the fiscal year	¥53,409 million ($574,046 thousand)	¥1,340,000 million ($14,402,407 thousand)	¥24,387 million ($262,120 thousand)

* The figures are determined based on the total costs incurred in connection with the services provided by the service outsourcing companies.

** The figures represent advance payments of funds necessary for delivery of deposits based on the banking agency service agreement. The transaction amounts are presented on an average balance basis for the fiscal year ended March 31, 2010.

*** The figures represent the unsettled amount between the Bank and JAPAN POST NETWORK Co., Ltd. in connection with receipt/payment operations with customers based on the banking agency service agreement. Transaction amounts are not presented because, being settlement transactions, these amounts are substantial.

Note: Transaction amounts are exclusive of consumption and other taxes. Year-end balances include consumption and other taxes.

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

Ownership of voting rights held	Nil
Capital	¥100,000 million ($1,074,806 thousand)
Nature of transactions	Consignment contracts for logistics operations
Details of transactions	Payment of consignment fees for logistics operations****
Transaction amount	¥2,456 million ($26,398 thousand)
Account	Other liabilities
Outstanding balance at end of the fiscal year	¥294 million ($3,169 thousand)

**** In accordance with contracts with JAPAN POST SERVICE Co., Ltd., payment is made of fees for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on general transactions.

Note: Transaction amounts are exclusive of consumption and other taxes. Year-end balances include consumption and other taxes.

For the year ended March 31, 2009

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

Ownership of voting rights held	Nil		
Capital	¥100,000 million		
Nature of transactions	Consignment of banking agency operations and Concurrent holding of positions by executive management directors		
Details of transactions	Payment of consignment fees*	Receipt and payment of funds related to banking agency operations	
Transaction amount	¥648,147 million	¥1,380,712 million	—
Account	Other liabilities	Other assets**	Other assets***
Outstanding balance at end of the fiscal year	¥54,826 million	¥1,340,000 million	¥38,443 million

* The figures are determined based on the total costs incurred in connection with the services provided by the service outsourcing companies.

** The figures represent advance payments of funds necessary for delivery of deposits based on the banking agency service agreement. The transaction amounts are presented on an average balance basis for the fiscal years ended March 31, 2009.

*** The figures represent the unsettled amount between the Bank and JAPAN POST NETWORK Co., Ltd. in connection with receipt/payment operations with customers based on the banking agency service agreement. Transaction amounts are not presented because, being settlement transactions, these amounts are substantial.

Note: Transaction amounts are exclusive of consumption and other taxes. Year-end balances include consumption and other taxes.

(4) Receivables from and payables due to directors and/or executive officers

None

b. Notes related to the parent company and/or significant affiliates

(1) Information on the parent company

JAPAN POST HOLDINGS Co., Ltd. (Unlisted)

(2) Information on significant affiliates

None

28. PER SHARE DATA

Net assets per share at March 31, 2010 and 2009 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2010	2009	2010
Net assets per share	¥58,930.31	¥54,530.49	$633.38
Net income per share	1,978.38	1,529.08	21.26

Net assets per share for the fiscal years ended March 31, 2010 and 2009 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net assets	¥8,839,547	¥8,179,574	$95,008,038
Net assets attributable to common stock at the end of the fiscal year	8,839,547	8,179,574	95,008,038
Number of common stock at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	150,000	150,000	

Net income per share data for the fiscal years ended March 31, 2010 and 2009 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net income	¥296,758	¥229,363	$3,189,576
Net income attributable to common stock	296,758	229,363	3,189,576
Average number of common stock outstanding during the fiscal year (thousand shares)	150,000	150,000	

Note: Diluted net income per share is not presented since there has been no potential dilution for the years ended March 31, 2010 and 2009.

29. SUBSEQUENT EVENT

None

Independent Auditors' Report

To the Board of Directors of
Japan Post Bank Co., Ltd.:

We have audited the accompanying balance sheets of Japan Post Bank Co., Ltd. (the "Bank") as of March 31, 2010 and 2009, and the related statements of income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These financial statements are the responsibility of the Bank's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of March 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying financial statements with respect to the year ended March 31, 2010 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 financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 23, 2010

Financial Data

Key Financial Indicators

Key Financial Indicators

Years ended March 31

	Millions of yen, %		Thousands of U.S. dollars
	2010	2009	2010
Revenues	¥ 2,207,942	¥ 2,488,552	$ 23,731,112
Operating profit (before provision for (reversal of) general reserve for possible loan losses)	489,157	480,602	5,257,492
Net operating profit	489,032	480,602	5,256,153
Net ordinary income	494,252	385,243	5,312,258
Net income	296,758	229,363	3,189,576
Common stock	3,500,000	3,500,000	37,618,228
Shares outstanding (thousand shares)	150,000	150,000	150,000
Net assets	8,839,547	8,179,574	95,008,038
Total assets	194,678,352	196,480,796	2,092,415,655
Deposits	175,797,715	177,479,840	1,889,485,333
Loans	4,022,547	4,031,587	43,234,608
Securities	¥178,230,687	¥173,551,137	$1,915,635,077
Capital adequacy ratio (non-consolidated, domestic standard)	91.62	92.09	
Dividend payout ratio	24.96	24.98	
Employees	12,060	11,675	

Notes: 1. Capital adequacy ratio (non-consolidated, domestic standard) is calculated based on standards stipulated by Article 14-2 of the Banking Law (Financial Services Agency Notification No. 19, March 27, 2006) for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments. The Bank adheres to capital adequacy standards applicable in Japan.

2. The number of employees excludes JAPAN POST BANK employees assigned to other companies by the Bank but includes employees assigned to the Bank by other companies. The figures do not include short-term contract and part-time employees.

Earnings

Income Analysis

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Gross operating profit:	¥ 1,710,447	¥ 1,746,765	$ 18,383,999
(Excluding gains (losses) on bonds)	1,698,817	1,746,613	18,259,000
Interest income	1,621,305	1,655,330	17,425,895
Fees and commissions	86,162	91,096	926,080
Trading gains	—	—	—
Other operating income (loss)	2,979	338	32,024
(Gains (losses) on bonds)	11,629	151	124,999
General and administrative expenses (excluding non-recurring losses):	(1,221,290)	(1,266,162)	(13,126,507)
Personnel expenses	(114,704)	(109,562)	(1,232,856)
Non-personnel expenses	(1,035,143)	(1,082,643)	(11,125,790)
Taxes and dues	(71,441)	(73,956)	(767,860)
Operating profit (before provision for (reversal of) general reserve for possible loan losses)	489,157	480,602	5,257,492
(Excluding gains (losses) on bonds)	477,527	480,450	5,132,493
Provision for general reserve for possible loan losses	(124)	—	(1,338)
Net operating profit:	489,032	480,602	5,256,153
Gains (losses) on bonds	11,629	151	124,999
Non-recurring gains (losses):	5,219	(95,358)	56,104
Gains (losses) on money held in trust	2,377	(100,200)	25,556
Other non-recurring gains (losses)	2,842	4,842	30,547
Net ordinary income	494,252	385,243	5,312,258
Extraordinary income (loss):	(801)	(1,030)	(8,616)
Gains (losses) on sales and disposal of fixed assets	(403)	(1,432)	(4,335)
Losses on impairment of fixed assets	(432)	(63)	(4,651)
Reversal of reserve for possible loan losses	—	417	—
Recoveries of written-off loans	34	47	370
Income before income taxes	493,450	384,213	5,303,642
Income taxes—current	(198,698)	(192,604)	(2,135,622)
Income taxes—deferred	2,005	37,754	21,555
Net income	296,758	229,363	3,189,576
Credit-related expenses:	(66)	(103)	(713)
Provision for general reserve for possible loan losses	(66)	(103)	(713)
Write-off of loans	—	—	—
Provision for specific reserve for possible loan losses	—	—	—
Recoveries of written-off loans	¥ —	¥ —	$ —

Notes: 1. Employees' retirement benefits (non-recurring costs) and other items have been excluded from general and administrative expenses in the calculation of "general and administrative expenses (excluding non-recurring losses)" indicated in the above table.
2. Credit-related expenses are expenses related to problem assets disclosed under the Financial Reconstruction Law.
3. Expenses are denoted by parentheses.

Gross Operating Profit and Gross Operating Profit Margin

Years ended March 31

	Millions of yen, %		Thousands of U.S. dollars
	2010	2009	2010
Gross operating profit	¥1,710,447	¥1,746,765	$18,383,999
Gross operating profit margin	0.90	0.86	0.90

Notes: 1. Gross operating profit = Net interest income + Net fees and commissions + Net other operating income
2. Gross operating profit margin = Gross operating profit / Average balance of interest-earning assets x 100

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

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net interest income:	¥1,621,305	¥1,655,330	$17,425,895
Interest income	2,066,088	2,309,926	22,206,457
Interest expenses	444,783	654,596	4,780,562
Net fees and commissions:	86,162	91,096	926,080
Fees and commissions received	108,493	112,334	1,166,098
Fees and commissions paid	22,331	21,238	240,017
Net trading income:	—	—	—
Trading gains	—	—	—
Trading losses	—	—	—
Net other operating income (loss):	2,979	338	32,024
Other operating income	13,058	53,791	140,358
Other operating expenses	¥ 10,079	¥ 53,452	$ 108,334

Note: Interest expenses exclude expenses corresponding to money held in trust (fiscal year ended March 31, 2010, ¥2,934 million ($31,540 thousand); fiscal year ended March 31, 2009, ¥2,425 million).

Average Balance, Interest, and Earnings Yield of Interest-Earning Assets and Interest-Bearing Liabilities

Years ended March 31

	Millions of yen, %		
	2010		
	Average balance	Interest	Earnings yield
Interest-earning assets:	¥188,531,935	¥2,066,088	1.09
Loans	3,977,793	47,819	1.20
Securities	175,880,847	1,920,979	1.09
Deposits (to the fiscal loan fund)	4,452,931	86,123	1.93
Due from banks	4,157,796	6,824	0.16
Interest-bearing liabilities:	180,535,198	444,783	0.24
Deposits	177,115,167	343,368	0.19
Borrowed money	¥ 4,452,931	¥ 86,161	1.93

	Millions of yen, %		
	2009		
	Average balance	Interest	Earnings yield
Interest-earning assets:	¥201,253,306	¥2,309,926	1.14
Loans	3,820,816	45,185	1.18
Securities	174,294,416	1,940,865	1.11
Deposits (to the fiscal loan fund)	14,606,904	254,746	1.74
Due from banks	7,905,353	40,455	0.51
Interest-bearing liabilities:	193,530,970	654,596	0.33
Deposits	179,573,276	373,863	0.20
Borrowed money	¥ 14,606,904	¥ 255,091	1.74

	Thousands of U.S. dollars, %		
	2010		
	Average balance	Interest	Earnings yield
Interest-earning assets:	$2,026,353,559	$22,206,457	1.09
Loans	42,753,588	513,967	1.20
Securities	1,890,378,843	20,646,817	1.09
Deposits (to the fiscal loan fund)	47,860,398	925,660	1.93
Due from banks	44,688,264	73,346	0.16
Interest-bearing liabilities:	1,940,404,108	4,780,562	0.24
Deposits	1,903,645,398	3,690,549	0.19
Borrowed money	$ 47,860,398	$ 926,067	1.93

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, 2010, ¥1,191,116 million ($12,802,202 thousand); fiscal year ended March 31, 2009, ¥717,120 million) is excluded from interest-earning assets, and the average balance of expenses corresponding to money held in trust (fiscal year ended March 31, 2010, ¥1,191,116 million ($12,802,202 thousand); fiscal year ended March 31, 2009, ¥717,120 million) and the corresponding interest (fiscal year ended March 31, 2010, ¥2,934 million ($31,540 thousand); fiscal year ended March 31, 2009, ¥2,425 million) are excluded from interest-bearing liabilities.

2. Due from banks includes negotiable certificates of deposit, call loans, receivables under resale agreements, monetary claims bought, and Bank of Japan (BOJ) deposits. The BOJ deposits have been included in due from banks as these deposits bear interest rates under the BOJ's supplementary current account system for smoothing monetary supply.

Changes in Interest Income and Expenses

Years ended March 31

	Millions of yen		
	2010		
	Volume-related change	Interest-related change	Net change
Interest income:	¥(142,163)	¥(101,674)	¥(243,837)
Loans	1,878	755	2,633
Securities	17,971	(37,857)	(19,885)
Deposits (to the fiscal loan fund)	(199,974)	31,351	(168,623)
Due from banks, etc.	(13,823)	(19,808)	(33,631)
Interest expenses:	(41,590)	(168,222)	(209,813)
Deposits	(5,059)	(25,435)	(30,494)
Borrowed money	¥(199,993)	¥ 31,063	¥(168,929)

	Thousands of U.S. dollars		
	2010		
	Volume-related change	Interest-related change	Net change
Interest income:	$(1,527,984)	$(1,092,800)	$(2,620,785)
Loans	20,188	8,118	28,306
Securities	193,163	(406,892)	(213,729)
Deposits (to the fiscal loan fund)	(2,149,341)	336,969	(1,812,372)
Due from banks, etc.	(148,577)	(212,899)	(361,476)
Interest expenses:	(447,013)	(1,808,071)	(2,255,084)
Deposits	(54,377)	(273,380)	(327,757)
Borrowed money	$(2,149,542)	$ 333,874	$(1,815,667)

Note: When changes in balances and in interest rates become material, adjustments are apportioned according to those changes.

General and Administrative Expenses

Years ended March 31

	Millions of yen, %				Thousands of U.S. dollars
	2010		2009		2010
	Amount	%	Amount	%	Amount
Personnel expenses:	¥ 114,490	9.37	¥ 109,605	8.65	$ 1,230,553
Salaries and allowances	106,479	8.72	101,590	8.02	1,144,448
Others	8,011	0.65	8,014	0.63	86,104
Non-personnel expenses:	1,035,143	84.77	1,082,643	85.50	11,125,790
Payments on commissioned services for JAPAN POST NETWORK Co., Ltd.	632,587	51.80	648,147	51.18	6,799,091
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (Note)	73,008	5.97	97,732	7.71	784,702
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	74,401	6.09	54,768	4.32	799,675
Rent for land, buildings and others	11,499	0.94	10,960	0.86	123,596
Expenses on consigned businesses	86,655	7.09	90,100	7.11	931,376
Depreciation and amortization	45,083	3.69	54,797	4.32	484,555
Communication and transportation expenses	23,363	1.91	23,809	1.88	251,113
Maintenance expenses	16,781	1.37	10,023	0.79	180,368
Others	71,762	5.87	92,303	7.28	771,311
Taxes and dues	71,441	5.85	73,956	5.84	767,860
Total	¥1,221,076	100.00	¥1,266,205	100.00	$13,124,204

Note: The Bank makes payments equivalent to the insurance on time deposits (acquired prior to privatization) to JAPAN POST HOLDINGS Co., Ltd. in accordance with Article 122 of the Postal Service Privatization Law.

Deposits

Balances by Type of Deposit

As of March 31

		Millions of yen, %				Thousands of U.S. dollars
		2010		2009		2010
		Amount	%	Amount	%	Amount
Domestic operations	Liquid deposits	¥ 57,113,869	32.48	¥ 59,660,898	33.61	$ 613,863,597
	Transfer deposits	7,597,731	4.32	7,269,971	4.09	81,660,910
	Ordinary deposits, etc.	49,087,540	27.92	51,924,342	29.25	527,596,089
	Savings deposits	428,597	0.24	466,585	0.26	4,606,597
	Fixed-term deposits	118,381,289	67.33	117,488,226	66.19	1,272,369,838
	Time deposits, etc.	27,475,685	15.62	18,698,993	10.53	295,310,468
	TEIGAKU deposits, etc.	90,891,424	51.70	98,738,612	55.63	976,906,967
	Other deposits	302,556	0.17	330,715	0.18	3,251,897
	Subtotal	175,797,715	100.00	177,479,840	100.00	1,889,485,333
	Negotiable certificates of deposit	—	—	—	—	—
	Total	175,797,715	100.00	177,479,840	100.00	1,889,485,333
International operations	Total	—	—	—	—	—
Total		¥175,797,715	100.00	¥177,479,840	100.00	$1,889,485,333

Years ended March 31

Average Balances

		Millions of yen, %				Thousands of U.S. dollars
		2010		2009		2010
		Amount	%	Amount	%	Amount
Domestic operations	Liquid deposits	¥ 58,514,727	33.03	¥ 62,009,526	34.53	$ 628,920,116
	Transfer deposits	7,480,475	4.22	7,342,643	4.08	80,400,639
	Ordinary deposits, etc.	50,589,235	28.56	54,176,865	30.16	543,736,410
	Savings deposits	445,016	0.25	490,018	0.27	4,783,066
	Fixed-term deposits	118,321,109	66.80	117,184,987	65.25	1,271,723,011
	Time deposits, etc.	23,381,719	13.20	14,715,741	8.19	251,308,248
	TEIGAKU deposits, etc.	94,912,487	53.58	102,378,999	57.01	1,020,125,614
	Other deposits	279,331	0.15	378,761	0.21	3,002,270
	Subtotal	177,115,167	100.00	179,573,276	100.00	1,903,645,398
	Negotiable certificates of deposit	—	—	—	—	—
	Total	177,115,167	100.00	179,573,276	100.00	1,903,645,398
International operations	Total	—	—	—	—	—
Total		¥177,115,167	100.00	¥179,573,276	100.00	$1,903,645,398

Time Deposits by Time to Maturity

As of March 31

		Millions of yen		Thousands of U.S. dollars
		2010	2009	2010
Less than three months	Time deposits:	¥ 5,785,619	¥ 3,274,184	$ 62,184,217
	Fixed interest rates	5,785,619	3,274,184	62,184,217
	Floating interest rates	—	—	—
	Other time deposits	—	—	—
≥ Three months < six months	Time deposits:	5,377,741	3,061,672	57,800,318
	Fixed interest rates	5,377,741	3,061,672	57,800,318
	Floating interest rates	—	—	—
	Other time deposits	—	—	—
≥ Six months < one year	Time deposits:	13,633,853	8,626,805	146,537,551
	Fixed interest rates	13,633,853	8,626,805	146,537,551
	Floating interest rates	—	—	—
	Other time deposits	—	—	—
≥ One year < two years	Time deposits:	1,132,327	1,780,532	12,170,325
	Fixed interest rates	1,132,327	1,780,532	12,170,325
	Floating interest rates	—	—	—
	Other time deposits	—	—	—
≥ Two years < three years	Time deposits:	604,859	967,116	6,501,066
	Fixed interest rates	604,859	967,116	6,501,066
	Floating interest rates	—	—	—
	Other time deposits	—	—	—
Three years or more	Time deposits:	941,284	988,681	10,116,988
	Fixed interest rates	941,284	988,681	10,116,988
	Floating interest rates	—	—	—
	Other time deposits	—	—	—
Total	Time deposits:	¥27,475,685	¥18,698,993	$295,310,468
	Fixed interest rates	27,475,685	18,698,993	295,310,468
	Floating interest rates	—	—	—
	Other time deposits	¥ —	¥ —	$ —

Notes: 1. The above table indicates balances of time deposits and special deposits (equivalent to time savings) based on the remaining time to maturity.
2. Special deposits are due to banks received from the Management Organization for Postal Savings and Postal Life Insurance and correspond to the postal savings passed on to that organization by JAPAN POST.

TEIGAKU Deposits by Time to Maturity

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Less than one year	¥12,053,682	¥ 3,448,037	$129,553,767
≥ One < three years	11,694,645	23,651,061	125,694,815
≥ Three < five years	6,804,781	9,658,266	73,138,232
≥ Five < seven years	13,488,943	9,034,650	144,980,044
Seven years or more	46,849,371	52,946,595	503,540,106
Total	¥90,891,424	¥98,738,612	$976,906,967

Notes: 1. The above table indicates balances of TEIGAKU deposits and special deposits (equivalent to TEIGAKU savings) based on the remaining time to maturity.
2. Special deposits are due to banks received from the Management Organization for Postal Savings and Postal Life Insurance and correspond to the postal savings passed on to that organization by JAPAN POST.
3. Figures have been calculated based on the assumption that all deposits will be held to maturity.

Loans

Loans by Category

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Loans on notes	—	—	—
Loans on deeds	¥3,783,806	¥3,790,537	$40,668,597
Overdrafts	238,741	241,050	2,566,011
Notes discounted	—	—	—
Total	¥4,022,547	¥4,031,587	$43,234,608

Years ended March 31

Average Balances

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Loans on notes	—	—	—
Loans on deeds	¥3,744,427	¥3,573,023	$40,245,356
Overdrafts	233,365	247,793	2,508,231
Notes discounted	—	—	—
Total	¥3,977,793	¥3,820,816	$42,753,588

Loans by Time to Maturity

As of March 31

		Millions of yen		Thousands of U.S. dollars
		2010	2009	2010
One year or less	Loans:	¥ 285,822	¥ 397,720	$ 3,072,038
	Floating interest rates			
	Fixed interest rates			
> One and ≤ three years	Loans:	258,763	143,289	2,781,202
	Floating interest rates	130,252	100,156	1,399,957
	Fixed interest rates	128,511	43,132	1,381,245
> Three and ≤ five years	Loans:	462,460	348,813	4,970,557
	Floating interest rates	167,307	138,817	1,798,237
	Fixed interest rates	295,152	209,996	3,172,320
> Five and ≤ seven years	Loans:	249,031	205,474	2,676,606
	Floating interest rates	14,010	16,805	150,586
	Fixed interest rates	235,020	188,669	2,526,020
> Seven and ≤ ten years	Loans:	1,236,318	1,211,073	13,288,026
	Floating interest rates	50,000	50,000	537,403
	Fixed interest rates	1,186,318	1,161,073	12,750,623
Over ten years	Loans:	1,530,152	1,725,216	16,446,176
	Floating interest rates	—	—	—
	Fixed interest rates	1,530,152	1,725,216	16,446,176
No designated term	Loans:	—	—	—
	Floating interest rates	—	—	—
	Fixed interest rates	—	—	—
Total		¥4,022,547	¥4,031,587	$43,234,608

Notes: 1. Loans to the Management Organization for Postal Savings and Postal Life Insurance include loans for which the interest rate is revised (5 years/10years), 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		Thousands of U.S. dollars
	2010	2009	2010
Securities	¥ 416	¥ 472	$ 4,480
Receivables	112,116	65,804	1,205,038
Merchandise	—	—	—
Real estate	—	—	—
Others	—	—	—
Sub-total	112,533	66,276	1,209,518
Guarantees	49,616	26,594	533,276
Credit	3,860,398	3,938,716	41,491,813
Total	¥4,022,547	¥4,031,587	$43,234,608

Loans by Purpose

As of March 31

	Millions of yen, %				Thousands of U.S. dollars
	2010		2009		2010
	Amount	%	Amount	%	Amount
Funds for capital investment	¥ 81,128	2.01	¥ 57,945	1.43	$ 871,979
Funds for working capital	3,941,418	97.98	3,973,642	98.56	42,362,628
Total	¥4,022,547	100.00	¥4,031,587	100.00	$43,234,608

Loans by Industry

As of March 31

	Millions of yen, %				Thousands of U.S. dollars
	2010		2009		2010
	Amount	%	Amount	%	Amount
Agriculture, forestry, fishing, and mining	—	—	—	—	—
Manufacturing	¥ 132,666	3.29	¥ 190,182	4.71	$ 1,425,904
Utilities, information/communications, and transportation	178,115	4.42	201,651	5.00	1,914,394
Wholesale and retail	32,038	0.79	18,392	0.45	344,347
Finance and insurance	3,175,974	78.95	3,414,775	84.70	34,135,579
Construction and real estate	34,388	0.85	50,681	1.25	369,608
Services	35,500	0.88	10,200	0.25	381,556
National and local governments	284,445	7.07	51,381	1.27	3,057,240
Others	149,420	3.71	94,323	2.33	1,605,977
Total	¥4,022,547	100.00	¥4,031,587	100.00	$43,234,608

Loans to Individuals and Small and Midsize Enterprises

As of March 31

	Millions of yen, %		Thousands of U.S. dollars
	2010	2009	2010
Total loans (A)	¥4,022,547	¥4,031,587	$43,234,608
Loans to individuals and small and midsize enterprises (B)	¥ 114,899	¥ 67,323	$ 1,234,949
(B)/(A)	2.85	1.66	2.85

Note: Individuals and small and midsize 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.

Problem Assets Disclosed under the Financial Reconstruction Law

As of March 31

	Millions of yen, %		Thousands of U.S. dollars
	2010	2009	2010
Loans to borrowers classified as bankrupt or quasi–bankrupt	—	—	—
Loans to borrowers classified as doubtful	—	—	—
Loans requiring close monitoring	—	—	—
Sub-total (A)	—	—	—
Loans to borrowers classified as normal	¥4,030,715	¥4,042,904	$43,322,396
Total (B)	¥4,030,715	¥4,042,904	$43,322,396
Non-performing loan ratio (B)/(A)	—	—	—

Reserve for Possible Loan Losses

For the years ended March 31

	Millions of yen			
	2010			
	Balance at beginning of fiscal year	Increase during fiscal year	Decrease during fiscal year	Balance at end of fiscal year
General reserve for possible loan losses	¥ 370	¥ 494	¥ 370	¥ 494
Specific reserve for possible loan losses	717	1,061	717	1,061
Total	¥1,087	¥1,556	¥1,087	¥1,556

	Millions of yen			
	2009			
	Balance at beginning of fiscal year	Increase during fiscal year	Decrease during fiscal year	Balance at end of fiscal year
General reserve for possible loan losses	¥ 950	¥ 370	¥ 950	¥ 370
Specific reserve for possible loan losses	559	717	559	717
Total	¥1,510	¥1,087	¥1,510	¥1,087

	Thousands of U.S. dollars			
	2010			
	Balance at beginning of fiscal year	Increase during fiscal year	Decrease during fiscal year	Balance at end of fiscal year
General reserve for possible loan losses	$ 3,981	$ 5,320	$ 3,981	$ 5,320
Specific reserve for possible loan losses	7,710	11,405	7,710	11,405
Total	$11,691	$16,725	$11,691	$16,725

Securities

Average Balance by Type of Trading Account Securities

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Trading account Japanese Government Bonds	¥274	¥280	$2,946
Trading account Japanese local government bonds	—	—	—
Trading account government guaranteed bonds	—	—	—
Other trading account securities	—	—	—
Total	¥274	¥280	$2,946

Securities by Time to Maturity

As of March 31

	Millions of yen							
	2010							
	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	¥31,349,875	¥47,730,853	¥28,495,770	¥25,031,227	¥19,986,189	¥3,297,646	—	¥155,891,563
Japanese local government bonds	797,125	969,477	1,632,831	1,001,252	846,212	42,302	—	5,289,202
Commercial paper	364,959	—	—	—	—	—	—	364,959
Japanese corporate bonds	1,566,203	2,863,921	2,294,530	1,044,140	3,285,747	861,727	—	11,916,270
Stocks	—	—	—	—	—	—	¥ 900	900
Others:	70,152	774,769	1,734,222	727,268	357,567	50,053	1,053,758	4,767,791
Foreign bonds	70,152	774,769	1,734,222	727,268	357,567	50,053	—	3,714,033
Foreign stocks	—	—	—	—	—	—	—	—
Total	¥34,148,317	¥52,339,021	¥34,157,354	¥27,803,888	¥24,475,717	¥4,251,729	¥1,054,658	¥178,230,687

	Millions of yen							
	2009							
	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	¥37,801,603	¥43,220,377	¥26,885,531	¥22,458,707	¥22,511,666	¥2,612,270	—	¥155,490,155
Japanese local government bonds	1,564,228	1,278,829	1,439,485	1,050,860	843,808	—	—	6,177,212
Commercial paper	542,904	—	—	—	—	—	—	542,904
Japanese corporate bonds	1,411,409	2,397,020	1,715,924	1,081,130	2,604,457	670,520	—	9,880,462
Stocks	—	—	—	—	—	—	¥ 900	900
Others:	2,069	324,905	816,268	66,596	74,662	—	175,000	1,459,503
Foreign bonds	2,069	324,905	816,268	66,596	74,662	—	—	1,284,502
Foreign stocks	—	—	—	—	—	—	—	—
Total	¥41,322,214	¥47,221,132	¥30,857,209	¥24,657,295	¥26,034,594	¥3,282,790	¥175,900	¥173,551,137

	Thousands of U.S. dollars							
	2010							
	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	$336,950,512	$513,014,328	$306,274,404	$269,037,271	$214,812,871	$35,443,321	—	$1,675,532,710
Japanese local government bonds	8,567,561	10,420,010	17,549,783	10,761,530	9,095,144	454,664	—	56,848,694
Commercial paper	3,922,605	—	—	—	—	—	—	3,922,605
Japanese corporate bonds	16,833,659	30,781,614	24,661,759	11,222,486	35,315,429	9,261,908	—	128,076,857
Stocks	—	—	—	—	—	—	$ 9,673	9,673
Others:	754,007	8,327,271	18,639,532	7,816,724	3,843,162	537,974	11,325,863	51,244,536
Foreign bonds	754,007	8,327,271	18,639,532	7,816,724	3,843,162	537,974	—	39,918,673
Foreign stocks	—	—	—	—	—	—	—	—
Total	$367,028,347	$562,543,224	$367,125,479	$298,838,012	$263,066,607	$45,697,869	$11,335,536	$1,915,635,077

Balance by Type of Securities

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Japanese Government Bonds	¥155,891,563	¥155,490,155	$1,675,532,710
Japanese local government bonds	5,289,202	6,177,212	56,848,694
Commercial paper	364,959	542,904	3,922,605
Japanese corporate bonds	11,916,270	9,880,462	128,076,857
Stocks	900	900	9,673
Others	4,767,791	1,459,503	51,244,536
Total	¥178,230,687	¥173,551,137	$1,915,635,077

Years ended March 31

Average Balances

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Japanese Government Bonds	¥155,881,773	¥157,557,897	$1,675,427,490
Japanese local government bonds	5,761,489	6,861,037	61,924,863
Commercial paper	394,109	437,789	4,235,918
Japanese corporate bonds	10,914,713	8,557,389	117,312,055
Stocks	900	833	9,673
Others	2,927,861	879,468	31,468,841
Total	¥175,880,847	¥174,294,416	$1,890,378,843

Fund Management Status

As of March 31

	Millions of yen, %				Thousands of U.S. dollars
	2010		2009		2010
	Outstanding assets	%	Outstanding assets	%	Outstanding assets
Due from banks, etc.	¥ 4,180,529	2.17	¥ 5,657,973	2.91	$ 44,932,603
Call loans	261,649	0.13	51,184	0.02	2,812,220
Receivables under securities borrowing transactions	2,495,622	1.29	725,786	0.37	26,823,117
Money held in trust	1,015,355	0.52	1,224,742	0.63	10,913,108
Securities:	178,230,687	92.72	173,551,137	89.48	1,915,635,077
Japanese Government Bonds	155,891,563	81.10	155,490,155	80.16	1,675,532,710
Japanese local government bonds	5,289,202	2.75	6,177,212	3.18	56,848,694
Commercial paper	364,959	0.18	542,904	0.27	3,922,605
Japanese corporate bonds	11,916,270	6.19	9,880,462	5.09	128,076,857
Japanese stocks	900	0.00	900	0.00	9,673
Other securities	4,767,791	2.48	1,459,503	0.75	51,244,536
Loans	4,022,547	2.09	4,031,587	2.07	43,234,608
Deposits (to the fiscal loan fund)	2,000,000	1.04	8,700,000	4.48	21,496,130
Others	7,691	0.00	10,784	0.00	82,664
Total	¥192,214,083	100.00	¥193,953,196	100.00	$2,065,929,531

Note: Due from banks, etc. includes negotiable certificates of deposit, receivables under resale agreements, monetary claims bought, and Bank of Japan (BOJ) deposits. There was no year-end balance of receivables under resale agreements in due from banks, etc. The BOJ deposits have been included in due from banks, etc. as these deposits bear interest rates under the BOJ's supplementary current account system for smoothing monetary supply.

Foreign Bonds

As of March 31

Foreign Bonds by Currency

	Millions of yen, %				Thousands of U.S. dollars
	2010		2009		2010
	Fair value	%	Fair value	%	Fair value
Japanese yen	¥2,542,081	68.44	¥1,198,704	93.32	$27,322,452
U.S. dollar	873,800	23.52	—	—	9,391,661
Euro	298,152	8.02	85,798	6.67	3,204,558
Others	—	—	—	—	—
Total	¥3,714,033	100.00	¥1,284,502	100.00	$39,918,673

Money Held in Trust

As of March 31

Assets by Type

	Millions of yen, %				Thousands of U.S. dollars
	2010		2009		2010
	Fair value	%	Fair value	%	Fair value
Domestic stocks	¥773,668	82.04	¥ 995,990	86.69	$ 8,315,434
Domestic bonds	169,280	17.95	152,719	13.29	1,819,436
Foreign stocks	0	0.00	114	0.00	7
Total	¥942,949	100.00	¥1,148,824	100.00	$10,134,879

Assets by Currency

	Millions of yen, %				Thousands of U.S. dollars
	2010		2009		2010
	Fair value	%	Fair value	%	Fair value
Japanese yen	¥942,948	99.99	¥1,148,710	99.99	$10,134,871
U.S. dollar	—	—	113	0.00	—
Euro	0	0.00	0	0.00	7
Others	—	—	0	0.00	—
Total	¥942,949	100.00	¥1,148,824	100.00	$10,134,879

Note: Cash and deposits are excluded.

Securitized Product Exposure

As of March 31, 2010, the Bank held the following securitized products.

The Bank's credit risk exposure to securitized products and other products was limited to special purpose enterprises (SPEs) that are final investors. None of these SPEs were established as originators of securitized products and have dubious status as to whether or not they should be consolidated.

Furthermore, the Bank did not realize any actual losses on securitized products during the fiscal year ended March 31, 2010 due to write-off or losses on sales.

As of March 31

1. Securitized Products

	Billions of yen, %			
	2010			
	Acquisition cost (A)	Net unrealized gains (losses) (B)	(B)/(A)	Credit rating
Residential mortgage backed securities (RMBS)	¥ 909.1	¥15.4	1.69	AAA
Subprime loan related	—	—	—	—
Collateralized loan obligations (CLO)	91.0	1.9	2.13	AAA
Other securitized products (Securitized products with credit card receivables as underlying assets)	272.8	2.2	0.83	AAA–BBB
Commercial mortgage backed securities (CMBS)	—	—	—	—
Collateralized debt obligations (CDO)	13.6	0.0	0.40	AAA
Total	¥1,286.6	¥19.7	1.53	

	Millions of U.S. dollars, %			
	2010			
	Acquisition cost (A)	Net unrealized gains (losses) (B)	(B)/(A)	Credit rating
Residential mortgage backed securities (RMBS)	$ 9,771	$166	1.69	AAA
Subprime loan related	—	—	—	—
Collateralized loan obligations (CLO)	978	20	2.13	AAA
Other securitized products (Securitized products with credit card receivables as underlying assets)	2,932	24	0.83	AAA–BBB
Commercial mortgage backed securities (CMBS)	—	—	—	—
Collateralized debt obligations (CDO)	146	0	0.40	AAA
Total	$13,828	$211	1.53	

Notes: 1. No hedging activities against credit risks were made.
2. Underlying assets are located in Japan.
3. The numbers do not include securitized products that might be included in investment trusts. The same holds hereinafter
4. Products held as collateralized debt obligations (CDOs) are all re-securitized products.

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.

5. U.S. Government Sponsored Enterprises (GSEs)

The Bank does not hold any securitized products that have as underlying assets securities issued by the Government National Mortgage Association (Ginnie Mae), Federal National Mortgage Association (Fannie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac) of the United States. Nor does the Bank hold any securities directly issued by these GSEs.

Ratios

Net Operating Income to Assets and Equity

Years ended March 31

	%	
	2010	2009
Net operating income to assets	0.25	0.18
Net operating income to equity	5.80	4.73

Notes: 1. Net operating income to assets = Net operating income / [(Sum of total assets at beginning and end of fiscal period) / 2] x 100
2. Net operating income to equity = Net operating income / [(Sum of total capital at beginning and end of fiscal period) / 2] x 100

Net Income to Assets and Equity

Years ended March 31

	%	
	2010	2009
Net income to assets (ROA)	0.15	0.11
Net income to equity (ROE)	3.48	2.82

Notes: 1. ROA = Net income / [(Sum of total assets at beginning and end of fiscal period) / 2] x 100
2. ROE = Net income / [(Sum of total capital at beginning and end of fiscal period) / 2] x 100

Overhead Ratio and Expense-to-Deposit Ratio

Years ended March 31

	%	
	2010	2009
Overhead ratio (OHR)	71.40	72.48
Expense-to- deposit ratio	0.68	0.70

Notes: 1. OHR = General and administrative expenses / Gross operating profit x 100
2. Expense-to-deposit ratio = General and administrative expenses / Average deposit balances x 100

Spread

Years ended March 31

	%	
	2010	2009
Yield on interest-earning assets	1.09	1.14
Interest rate on interest-bearing liabilities	0.24	0.33
Spread	0.84	0.80

Loan-Deposit Ratio

As of March 31 (except where noted)

	Millions of yen, %		Thousands of U.S. dollars
	2010	2009	2010
Loans (A)	¥ 4,022,547	¥ 4,031,587	$ 43,234,608
Deposits (B)	¥175,797,715	¥177,479,840	$1,889,485,333
Loan-deposit ratio (A)/(B)	2.28	2.27	2.28
Loan-deposit ratio (average for fiscal period)	2.24	2.12	2.24

Security-Deposit Ratio

As of March 31 (except where noted)

	Millions of yen, %		Thousands of U.S. dollars
	2010	2009	2010
Securities (A)	¥178,230,687	¥173,551,137	$1,915,635,077
Deposits (B)	¥175,797,715	¥177,479,840	$1,889,485,333
Security-deposit ratio (A)/(B)	101.38	97.78	101.38
Security-deposit ratio (average for fiscal period)	99.30	97.06	99.30

Others

Over-the-Counter Sales of Japanese Government Bonds

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Long-term bonds	¥ 94,120	¥ 90,731	$1,011,612
Medium-term bonds	382,707	806,190	4,113,368
Bonds for individuals	152,949	285,003	1,643,908
Total	¥629,777	¥1,181,926	$6,768,890

Domestic Exchanges

Years ended March 31

Mutual Remittances

	Millions of yen				Thousands of U.S. dollars
	2010		2009		2010
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Amount
Sent	9,994	¥10,777,302	1,668	¥4,215,404	$115,835,148
Received	12,741	¥ 7,482,213	1,145	¥1,464,417	$ 80,419,317

Note: For the period from April 1, 2008 to December 30, 2008, domestic exchange balances reflected mutual remittance services between the Bank and other financial institutions. Effective January 5, 2009, the Bank became a member of the Interbank Data Telecommunication System ("Zengin Net") and all remittances are now transferred through that system. Accordingly, the number of remittances and amount of domestic exchanges with other financial institutions for the fiscal year ended March 31, 2009 are the sum of the mutual remittances services and the "Zengin Net" remittances.

Transfer Deposits

	Millions of yen				Thousands of U.S. dollars
	2010		2009		2010
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Amount
In-payment	1,215,514	¥59,349,149	1,236,168	¥68,146,219	$637,888,536
Transfers	93,288	52,372,599	87,756	62,125,079	562,904,120
Out-payment	130,615	¥56,384,340	131,003	¥67,532,728	$606,022,580

Note: The numbers for the period from April 1, 2008 to December 30, 2008 include mutual remittances indicated in the above table.

Ordinary Remittances and Postal Orders (TEIGAKU KOGAWASE)

	Millions of yen				Thousands of U.S. dollars
	2010		2009		2010
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Amount
Ordinary remittances	3,772	¥59,714	4,359	¥64,312	$641,810
Postal orders (TEIGAKU KOGAWASE)	19,647	¥10,381	24,079	¥11,314	$111,582

Foreign Exchanges

Years ended March 31

Millions of U.S. dollars			
2010		2009	
Remittances (thousands)	Amount	Remittances (thousands)	Amount
402	$1,037	427	$1,114

Note: Foreign exchanges represent the total of international remittances and purchases and sales of traveler's checks.

Investment Trusts Sales (Contract Basis)

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Number of contracts (thousands)	1,279	1,598	1,279
Sales value	¥133,885	¥171,395	$1,439,003

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Number of investment trust accounts (thousands)	577	551	577
Net assets	¥980,930	¥815,666	$10,543,097

Note: Figures have been rounded off.

Other Businesses

As of March 31, 2009

Credit Cards

	Thousands	
	2010	2009
Cards issued	837	376

	Thousands	
	2010	2009
Cards issued (outstanding)	1,136	366

Mortgage Loans

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
New credit extended (as intermediary)	¥74,045	¥56,247	$795,846

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
New credit extended (as intermediary) (cumulative)	¥130,293	¥56,247	$1,400,401

Variable Annuity Policies

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Number of policies	6,216	3,786	6,216
Value of policies	¥31,359	¥17,615	$337,055

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Number of policies (cumulative)	10,002	3,786	10,002
Value of policies (cumulative)	¥48,974	¥17,615	$526,384

Notes: 1. The Bank launched the credit card business on May 1, 2008, the mortgage loan intermediary business on May 12, 2008, and the variable annuity business on May 29, 2008.

2. The Bank acts as the intermediary for Suruga Bank Ltd.'s mortgage loan business.

Capital Position

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

As of March 31

Account		Millions of yen, %	
		2010	2009
Tier I capital	Common stock	¥3,500,000	¥3,500,000
	Non-cumulative perpetual preferred stock	—	—
	Deposit for subscriptions to shares	—	—
	Capital surplus reserve	4,296,285	4,296,285
	Other capital surplus	—	—
	Retained earnings	—	—
	Other retained earnings	652,598	413,140
	Others	—	—
	Treasury stock (deduction)	—	—
	Advance on subscription for treasury stock	—	—
	Cash dividends to be paid	(74,100)	(57,300)
	Unrealized gains (losses) on other securities	—	—
	Subscription rights to shares	—	—
	Goodwill equivalents (deduction)	—	—
	Intangible fixed assets accounted as a result of merger (deduction)	—	—
	Gains on sale on securitization transactions (deduction)	—	—
	Total Tier I capital (total of above items) before deduction of deferred tax assets	—	—
	Deduction of deferred tax assets (Note1)	—	—
	Total Tier I capital (A)	8,374,784	8,152,126
	Redeemable equity securities, etc. (carrying covenant regarding step-up interest rate)	—	—
Tier II capital	45% of revaluation reserve for land	—	—
	General reserve for possible loan losses	494	370
	Capital raising through debt financing	—	—
	Capital raising through debt financing	—	—
	Subordinated bonds with maturity dates and preferred stocks with maturity dates	—	—
	Items not included in Tier II capital	—	—
	Total Tier II capital (B)	494	370
Deductions	Deductions (C)	—	—
Total risk-based capital	Total risk-based capital (A)+(B)−(C)=(D)	8,375,279	8,152,496
Risk assets	On-balance-sheet items	5,806,212	5,406,131
	Off-balance-sheet items	20,986	74,249
	Operational risk equivalent / 8%	3,314,114	3,372,115
	Risk assets, etc. (E)	9,141,313	8,852,495
Capital adequacy ratio (D)/(E)		91.62	92.09
Tier I capital ratio (A)/(E)		91.61	92.08

Notes: 1. Capital adequacy ratio (non-consolidated, domestic standard) is calculated based on standards stipulated by Article 14-2 of the Banking Law (Notification No. 19, the Financial Services Agency of Japan, March 27, 2006) for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments.

2. The Bank has had its assessment method for capital adequacy ratios audited by the independent audit corporation KPMG AZUSA & Co. in accordance with the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 30. The independent audit did not involve auditing of financial accounting methods, but focused on the capital adequacy assessment process of the internal control system based on procedures agreed on by the Bank and KPMG AZUSA & Co. The audit corporation reported these results privately to the Bank and did not issue an audit opinion regarding the capital adequacy ratio or the internal capital adequacy assessment process.

Instruments for Raising Capital

Outline of Instruments for Raising Capital

The Bank raises capital through the issue of common shares. Current issuance is as follows.

- Total issued and outstanding common shares: 150 million shares

Assessment of Capital Adequacy

The Bank assesses the adequacy of its capital by comparing its equity base with its exposure to market, credit, and other risks. Within its capital structure, the Bank evaluates the quality of its capital base by using such factors as the proportion of Tier 1 capital, included in overall capital which includes equity capital and other elements, directed toward establishing a financial base appropriate to its risk appetite.

Specifically, the Bank assesses its capital adequacy position by comparing its risk capital, which is defined as the total of its total risk-based capital (Tier 1 + Tier 2), a portion of unrealized valuation gains on other securities, and projected profits with total risk exposure to market, credit, and operational risk during the period being monitored. To evaluate the quality of its capital, the Bank examines its Tier 1 capital ratio (Tier 1 capital/total risk capital).

The Bank's capital adequacy management framework comprises monthly reporting of these abovementioned assessments to the ALM Committee and quarterly reporting to the ALM Committee, the Executive Committee, the Board of Directors, and other management bodies.

Total Required Capital, Capital Adequacy Ratio, and Tier I Capital Ratio (Non-Consolidated)

As of March 31

	Millions of yen, %	
	2010	2009
(1) Capital requirement for credit risk (Note 1):	¥233,087	¥219,215
Portfolios applying the standardized approach	231,169	217,852
Securitization exposures	1,917	1,362
(2) Capital requirement for operational risk (Note 2):	132,564	134,884
The basic indicator approach	132,564	134,884
(3) Total capital requirements ((1) + (2)) (Note 3)	¥365,652	¥354,099
(4) Capital adequacy ratio	91.62	92.09
(5) Tier I capital ratio	91.61	92.08

Notes: 1. Risk weighted assets x 4%
2. (Operational risk / 8%) x 4%
3. 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 (%) (Note 2)	Millions of yen 2010	2009
1	Cash	0	¥ 0	¥ 0
2	Japanese government and the Bank of Japan	0	0	0
3	Foreign national governments and central banks	0–100	773	23
4	Bank for International Settlements, etc.	0	—	—
5	Japanese local public agencies	0	0	0
6	Foreign public-sector agencies, other than national governments	20–100	2,089	1,297
7	International Development Bank	0–100	0	0
8	Local public corporations and other financial institutions	10–20	1,124	562
9	Japanese government agencies	10–20	18,520	18,956
10	Three regional public corporations	20	—	—
11	Financial institutions and Type I Financial Instruments Business Operators	20–100	31,330	37,022
12	Corporations	20–100	130,561	99,776
13	Small and midsize enterprises and individuals	75	—	—
14	Mortgage loans	35	—	—
15	Project finance (acquisition of real estate)	100	—	—
16	Past-due (three months or more)	50–150	—	—
17	Unsettled bills	20	—	—
18	Loans guaranteed by Credit Guarantee Association, etc.	0–10	—	—
19	Loans guaranteed by Industrial Revitalization Corporation of Japan	10	—	—
20	Investments in capital and others	100	37,786	42,924
21	Other than above	100	8,145	14,318
22	Securitization transactions (as originator)	20–100	—	—
23	Securitization transactions (as investor and other)	20–350	1,917	1,362
24	Assets comprised of asset pools (so-called funds) for which the individual underlying assets are difficult to identify	—	—	—
25	Capital deductions	—	—	—
	Total	—	¥232,248	¥216,245

Notes: 1. Capital requirements are calculated using the following formula.
(Risk weighted assets x 4%)
2. Risk weightings are stipulated in the Capital Adequacy Notification.

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

As of March 31

Item		(Reference) Risk weight (%) (Note 2)	Millions of yen 2010	2009
1	Commitment line cancelable automatically or unconditionally at any time	0	—	—
2	Commitment lines with original contract terms of one year or less	20	¥ 4	¥ 49
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 or RUFs	50	—	—
6	Commitment lines with original duration of over one year	50	54	—
7	Contingent liabilities arising from directly substituted credit	100	—	—
	(Secured with loan guarantees)	100	—	—
	(Secured with securities)	100	—	—
	(Secured with draft acceptance)	100	—	—
	(Guaranteed principal amounts held in some trusts outside of the transitional provisions)	100	—	—
	(Credit derivative protection provided)	100	—	—
8	Assets sold with repurchase agreements or assets sold with right of claim (after deductions)	—	—	—
	Assets sold with repurchase agreements or assets sold with right of claim (before deductions)	100	—	—
	Deductions	—	—	—
9	Futures purchases, forward delivery deposits, partly paid shares, partly paid bonds	100	—	—
10	Securities lending, cash or securities collateral provision, or sale or purchase of securities with repurchase agreements	100	63	2,765
11	Derivative transactions	—	717	155
	(1) Foreign exchange-related transactions	—	387	109
	(2) Interest rate-related transactions	—	319	42
	(3) Gold-related transactions	—	—	—
	(4) Equity-related transactions	—	—	—
	(5) Precious metal-related transactions (excluding gold)	—	—	—
	(6) Other commodity-related transactions	—	—	—
	(7) Credit derivative transactions (counterparty risk)	—	11	3
	Write-off of credit equivalent amount under close-out netting agreement (deduction)	—	—	—
12	Long-settlement transactions	—	0	0
13	Accounts outstanding	—	—	—
14	Eligible liquidity facilities related to securitization exposure and eligible servicer cash advance facilities	0–100	—	—
15	Off-balance sheet securitization exposure other than the above	100	—	—
16	Capital deductions	—	—	—
	Total	—	¥839	¥2,969

Notes: 1. Capital requirements are calculated using the following formula.
(Risk weighted assets × 4%)
2. Risk weightings are stipulated in the Capital Adequacy Notification.

Outline of Credit Risk Management Policies and Procedures

See Page 62-66 (Credit Risk Management)

Ratings for Portfolios Eligible for the Standardized Approach

• 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 Standard & Poor's Ratings Services (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 ratings 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
Japanese local public agencies		R&I, JCR, Moody's, S&P
Foreign public agencies, other than foreign national governments		Moody's, S&P, OECD
International Development Bank		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
Financial institutions and Financial Instruments Business Operators	Resident	R&I, JCR, Moody's, S&P
Engaged in Type I Financial Instruments Businesses	Non-resident	Moody's, S&P, OECD
Corporations	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P
Securitization		R&I, JCR, Moody's, S&P

Exposure by Region, Industry, and Remaining Period

Exposure by Region and Industry

As of March 31

Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total
		Millions of yen				
		2010				
Japan	Agriculture, forestry, fishery, and mining	—	—	—	—	—
	Manufacturing	¥ 132,795	¥ 738,345	—	¥ 9	¥ 871,150
	Utilities, information/communications, and transportation	178,205	4,813,505	—	8,889	5,000,600
	Wholesale and retail	122,988	97,918	—	0	220,906
	Finance and insurance	17,048,152	5,694,954	¥51,018	69,883	22,864,009
		(60,618,691)				(60,618,691)
	Construction and real estate	34,449	480,440	—	—	514,890
	Services and goods rental/leasing	1,376,959	375,294	—	27,011	1,779,265
	National and local government agencies	5,181,037	161,095,581	—	2,179	166,278,798
	Others	1,381,829	—	—	247,755	1,629,585
	Total	25,456,418	173,296,040	51,018	355,729	199,159,207
		(60,618,691)				(60,618,691)
Overseas	Sovereigns	115	1,556,564	—	543	1,557,223
	Financial institutions	5,158	1,231,188	20,772	287	1,257,407
	Others	545,194	1,861,664	300	8,845	2,416,003
	Total	550,467	4,649,417	21,072	9,677	5,230,634
Grand total		26,006,886	¥177,945,457	¥72,091	¥365,406	204,389,841
		¥(60,618,691)				¥ (60,618,691)

Region	Industry	Millions of yen 2009 Loans, deposits, etc.	Securities	Derivatives	Others	Total
Japan	Agriculture, forestry, fishery, and mining	—	—	—	—	—
	Manufacturing	¥ 190,824	¥ 660,980	—	¥ 4	¥ 851,809
	Utilities, information/communications, and transportation	201,797	4,084,766	—	19,286	4,305,850
	Wholesale and retail	18,441	161,197	—	—	179,639
	Finance and insurance	13,095,907	4,646,218	¥ 6,316	16,660	17,765,103
		(77,488,440)				(77,488,440)
	Construction and real estate	50,745	404,976	—	2	455,724
	Services and goods rental/leasing	1,350,202	318,189	—	40,002	1,708,395
	National and local government agencies	11,939,035	161,727,856	—	1,235	173,668,128
	Others	1,594,922	—	—	361,579	1,956,501
	Total	28,441,877	172,004,185	6,316	438,771	200,891,151
		(77,488,440)				(77,488,440)
Overseas	Sovereigns	—	380,646	—	1,315	381,962
	Financial institutions	62,907	574,245	9,872	4,889	651,914
	Others	130,485	509,799	—	4,041	644,325
	Total	193,392	1,464,690	9,872	10,246	1,678,202
Grand total		28,635,270	¥173,468,876	¥16,188	¥449,018	202,569,354
		¥(77,488,440)				¥ (77,488,440)

Notes: 1. Loans, deposits, etc. comprise loans, deposits with banks, call loans, and off-balance sheet assets other than derivatives. Figures in parenthesis are collateral provided (off balance sheet assets) to Management Organization for Postal Savings and Postal Life Insurance noted elsewhere.

2. Securities include Japanese Government Bonds, Japanese local government bonds, Japanese corporate bonds, etc.

3. Derivatives comprise such instruments as interest rate swaps and forward foreign exchange contracts, etc.

4. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Exposure by Time to Maturity

As of March 31

	Millions of yen				
	2010				
Time to maturity	Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	¥ 13,297,647	¥ 34,478,470	¥ 592	¥112,275	¥ 47,888,986
	(60,618,691)				(60,618,691)
> One and ≤ three years	348,974	52,205,638	5,613	—	52,560,226
> Three and ≤ five years	532,830	34,003,203	19,078	20	34,555,132
> Five and ≤ seven years	468,090	27,719,473	8,105	—	28,195,669
> Seven and ≤ ten years	2,325,839	24,260,070	38,496	3,478	26,627,884
Over ten years	2,919,154	4,168,454	205	—	7,087,814
No designated term	6,114,349	1,110,146	—	249,632	7,474,128
Total	26,006,886	¥177,945,457	¥72,091	¥365,406	204,389,841
	¥(60,618,691)				¥ (60,618,691)

	Millions of yen				
	2009				
Time to maturity	Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	¥ 14,130,243	¥ 41,644,261	¥ 173	¥ 57,576	¥ 55,832,254
	(77,488,440)				(77,488,440)
> One and ≤ three years	2,168,776	47,141,988	2,658	4	49,313,427
> Three and ≤ five years	488,315	30,755,970	8,774	27	31,253,087
> Five and ≤ seven years	378,748	24,627,186	—	—	25,005,935
> Seven and ≤ ten years	2,331,840	25,900,985	4,582	—	28,237,408
Over ten years	3,450,433	3,215,172	—	—	6,665,605
No designated term	5,686,912	183,311	—	391,410	6,261,635
Total	28,635,270	¥173,468,876	¥16,188	¥449,018	202,569,354
	¥(77,488,440)				¥ (77,488,440)

Notes: 1. Loans and deposits, etc. comprise loans, deposits with banks, call loans, and off-balance sheet assets other than derivatives. Figures in parentheses are collateral provided (off-balance sheet assets) to the Management Organization for Postal Savings and Postal Life Insurance noted elsewhere.
2. Securities include Japanese Government Bonds, Japanese local government bonds, Japanese corporate bonds, etc.
3. Derivatives comprise such instruments as interest rate swaps and forward foreign exchange contracts, etc.
4. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Year-End Balances of Exposure to Loans in Arrears for Three Months or More and for Loans in Default and Details by Loan Class (by Region and Industry)

There were no year-end balances.

Loan Write-Off by Industry and Counterparty

There were no write-off of loans during the fiscal year ended March 31, 2010.

Year-End Balances and Changes During the Period of General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses, and Loan Loss Reserve for Specific Overseas Countries

By Region

As of March 31

Balance at end of fiscal period

	Millions of yen	
	2010	2009
General reserve for possible loan losses	¥178	¥112
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Years ended March 31

Changes during fiscal period

	Millions of yen	
	2010	2009
General reserve for possible loan losses	¥66	¥103
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 Law, they do not match the figures for balance of reserve for possible loan losses and changes during the fiscal year on page 113.

By Industry

As of March 31

Balance at end of fiscal period

	Millions of yen	
	2010	2009
General reserve for possible loan losses	¥178	¥112
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Years ended March 31

Changes during fiscal period

	Millions of yen	
	2010	2009
General reserve for possible loan losses	¥66	¥103
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 Law, they do not match the figures for balance of reserve for possible loan losses and changes during the fiscal year on page 113.

Exposure by Risk Weight Classification

As of March 31

	Millions of yen			
	2010		2009	
Risk weight	Rated	Not rated	Rated	Not rated
0%	¥172,816,869	¥75,821,881	¥175,751,925	¥87,511,631
10%	—	5,005,099	—	5,520,037
20%	6,722,612	—	7,460,051	—
35%	—	—	—	—
50%	1,416,672	—	822,279	—
75%	—	—	—	—
100%	588,057	2,637,339	133,526	2,858,342
150%	—	—	—	—
350%	—	—	—	—
Others	—	—	—	—
Capital deductions	—	—	—	—
Total	¥181,544,212	¥83,464,319	¥184,167,783	¥95,890,010

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 was allocated to risk weight categories after the application of credit risk mitigation methods.

Credit Risk Mitigation Methodology

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 type 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 as its credit risk mitigation method.

The Bank has established internal procedures that enable timely sales or purchases of eligible financial collateral based on collateral contracts, including terms and conditions, signed prior to any of these transactions.

• Outline of Policies and Procedures for the Netting of Loans and Self Deposits and the Types of Transactions and Scope for which Netting can be Applied

The Bank regards the netted amount of loans and self deposits as the amount of exposure used in the calculation of the capital adequacy ratio in accordance with special clauses on netting in banking transaction agreements.

Currently, this policy is not being applied.

• Explanation of the Credit Worthiness of Guarantors and Major Types of Counterparties in Credit Derivative Transactions

The major guarantors used by the Bank are the national government and corporations. The use of these guarantors lowers risk weights more than non-guaranteed debts. The Bank has no credit derivative balances.

• 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

Not applicable.

• Information on the Concentration of Credit and Market Risk Arising from the Application of Credit Risk Mitigation Methods

There is no concentration arising from the use of credit risk mitigation.

Exposure After Applying Credit Risk Mitigation

As of March 31

	Millions of yen, %			
	2010		2009	
Item	Exposure	%	Exposure	%
Eligible financial collateral	¥69,565,368	90.66	¥78,604,285	93.03
Guarantees	7,163,308	9.33	5,883,870	6.96
Total	¥76,728,677	100.00	¥84,488,155	100.00

Notes: 1. The categories of eligible financial collateral used by the Bank include cash, self deposits, and securities.
2. The major guarantors used by the Bank are the national government and corporations. The use of these guarantors lowers risk weights more than non-guaranteed debts.
3. There is no exposure to funds that include investment trusts, etc.

Derivative Transactions and Transactions with Long-Term Settlements

Outline of Policies and Procedures for Risk Management

• 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 these contracts is deemed to be minor.

At the end of the fiscal year ended March 31, 2010, collateral provided for these derivative transactions amounted to ¥3,482 million.

The Bank's policy on reserve calculation related to derivative transactions is the same as that on applied to ordinary on-balance sheet assets.

• Policy on Credit Line Limit and Risk Capital Allocation Method

The Bank assigns debtor ratings to all derivative transaction counterparties. The Bank sets credit line 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 of and price fluctuation risk of derivative transactions.

The risk capital allocations for derivative transactions are same as other transactions.

Derivative Transactions and Long-Settlement Transactions

As of March 31

	Millions of yen					
	2010			2009		
Item	Gross replacement costs	Gross add-on amounts	Net credit equivalents	Gross replacement costs	Gross add-on amounts	Net credit equivalents
Interest rate-related transactions:						
Interest rate swaps	¥12,337	¥22,062	¥34,399	¥303	¥ 4,335	¥ 4,638
Currency-related transactions:						
Forward foreign exchange contracts	5,198	32,493	37,691	23	11,526	11,549
Long-settlement transactions	0	0	0	0	0	0
Total	¥17,535	¥54,555	¥72,091	¥327	¥15,861	¥16,189

Notes: 1. Net credit equivalents are calculated using the Current Exposure Method.
2. There are no outstanding credit derivatives or credit risk exposures to which credit risk mitigation methods were applied.
3. Gross replacement costs for which reconstruction costs were less than zero are not included.
4. As prescribed in the Capital Adequacy Notification, currency-related derivative transactions with original contract periods of five business days or less are excluded.
5. Long-settlement transactions at the Bank represent securities transactions with settlement periods exceeding five business days.
6. There is no exposure to funds that include investment trusts, etc.

Securitization Exposure

Outline of Policies and Procedures for Risk Management

The Bank is exposed to risks associated with securitization as an investor. For the acquisition of securitized instruments, the Bank refers to external credit ratings and 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 and conducts investment management within the credit line limits. Following acquisition, the Bank monitors the external credit ratings, the recovery of the underlying assets, and other indicators. Furthermore, credit risks related to the securitized instruments are included in the calculation of credit risk amount, while related interest rate risks are included in the calculation of market risk amount.

Method Applied for the Calculation of Credit Risk-Weighted Asset Amounts with Regard to Securitization Exposure

The Bank applies the "Standardized Approach" stipulated in the Capital Adequacy Notification to calculate credit risk-weighted asset amounts related to securitized instruments.

Qualified Rating Agencies Used to Determine Risk Weights by Type of Securitization Exposure

The Bank adopts the credit ratings of the following qualified rating agencies to determine credit risk-weighted asset amounts related to securitized instruments.

• Rating and Investment Information, Inc. (R&I)
• Japan Credit Rating Agency, Ltd. (JCR)
• Moody's Investors Service, Inc. (Moody's)
• Standard & Poor's Ratings Services (S&P)

Investments in Securitized Instruments

Breakdown by Type of Underlying Assets

As of March 31

	Millions of yen	
Type of underlying assets	2010	2009
Mortgage loans	¥114,061	¥ 87,598
Auto loans	16,864	13,592
Leases	41,256	19,581
Consumer loans	11,647	13,742
Corporate loans	91,352	71,669
Others	13,637	—
Total	¥288,819	¥206,184

Note: The above figures are not risk-weighted assets calculated in accordance with Article 15 of the Supplementary Provisions to the Capital Adequacy Notification.

Balance by Risk Weight and Amount of Capital Requirements

As of March 31

	Millions of yen			
	2010		2009	
Risk weight	Balance	Capital requirements	Balance	Capital requirements
Less than 20%	¥ 98,147	¥ 392	¥ 71,669	¥ 286
20%	190,672	1,525	134,514	1,076
50%	—	—	—	—
100%	—	—	—	—
150%	—	—	—	—
Capital deductions	—	—	—	—
Total	¥288,819	¥1,917	¥206,184	¥1,362

Notes: 1. The above figures are not risk-weighted assets calculated in accordance with Article 15 of the Supplementary Provisions to the Capital Adequacy Notification.
2. Capital requirements are calculated using the following formula.
(Risk weighted assets x 4%)

Accounting Policy for Securitization Transactions

The Bank complies with the Accounting Standards Board of Japan Statement No. 10, Accounting Standards for Financial Instruments (Business Accounting Council, January 22, 1999) 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 67 (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, Stock, and Other Exposure in Banking Account

Outline of Policies and Procedures for Equity Exposure in Banking Account

See Page 60-62 (Market Risk Management/Market Liquidity Risk Management)

1. Balance Sheet Amounts and Fair Values

As of March 31

	Millions of yen			
	2010		2009	
	Balance sheet amount	Fair value	Balance sheet amount	Fair value
Exposure to listed equities, etc.	—	¥—	—	¥—
Exposure to investments or equities, etc. other than above	¥162,605		¥67,379	
Total	¥162,605		¥67,379	

Notes: 1. Includes exposure for which there is no market price and for which it is extremely difficult to determine a fair value. Consequently, fair value information for these instruments is not provided, in the same way that fair value information is not provided for financial instruments for which the Bank deems it extremely difficult to determine a fair value.
2. Does not include equities invested through money held in trust. The same applies below.

2. Gains (Losses) on Sale or Write-Off of Investment or Equity Exposures

Years ended March 31

	Millions of yen	
	2010	2009
Gains (Losses):	¥ —	¥ —
Gains	—	—
Losses	—	—
Write-offs	—	—

Note: The gains and losses in the above table are recorded as gains (losses) on sales of stock, etc. on the statements of income.

3. Unrealized Gains (Losses) Recognized on the Balance Sheets But Not on the Statements of Income

Years ended March 31

	Millions of yen	
	2010	2009
Unrealized gains (losses) recognized on the balance sheets but not on the statements of income	¥1,394	¥(82)

Note: The numbers represent unrealized gains (losses) on stock, etc. with fair value.

4. Unrealized Gains (Losses) Not Recognized on the Balance Sheets or the Statements of Income

Years ended March 31

	Millions of yen	
	2010	2009
Unrealized gains (losses) not recognized on the balance sheets or the statements of income	¥ —	¥ —

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

Interest Rate Risk in Banking Account

Outline of Policies and Procedures for Interest Rate Risk in Banking Account

See Page 60-62 (Market Risk Management/Market Liquidity Risk Management)

Outline of Method for the Calculation of Interest Rate Risk in the Banking Account Used for Internal Management Purposes

See Page 60-62 (Market Risk Management/Market Liquidity Risk Management)

Status of Loss-to-Capital Ratio Under the Outlier Framework

The Bank measures the loss-to-capital ratio under the outlier standard as part of its practice to monitor interest rate risks in its banking account, as determined by the Basel II Framework.

The Bank ensures sufficient capital to cover interest rate risk exposure, given the marginal credit risks. Accordingly, interest rate risks are deemed to be a minor management issue.

As of March 31

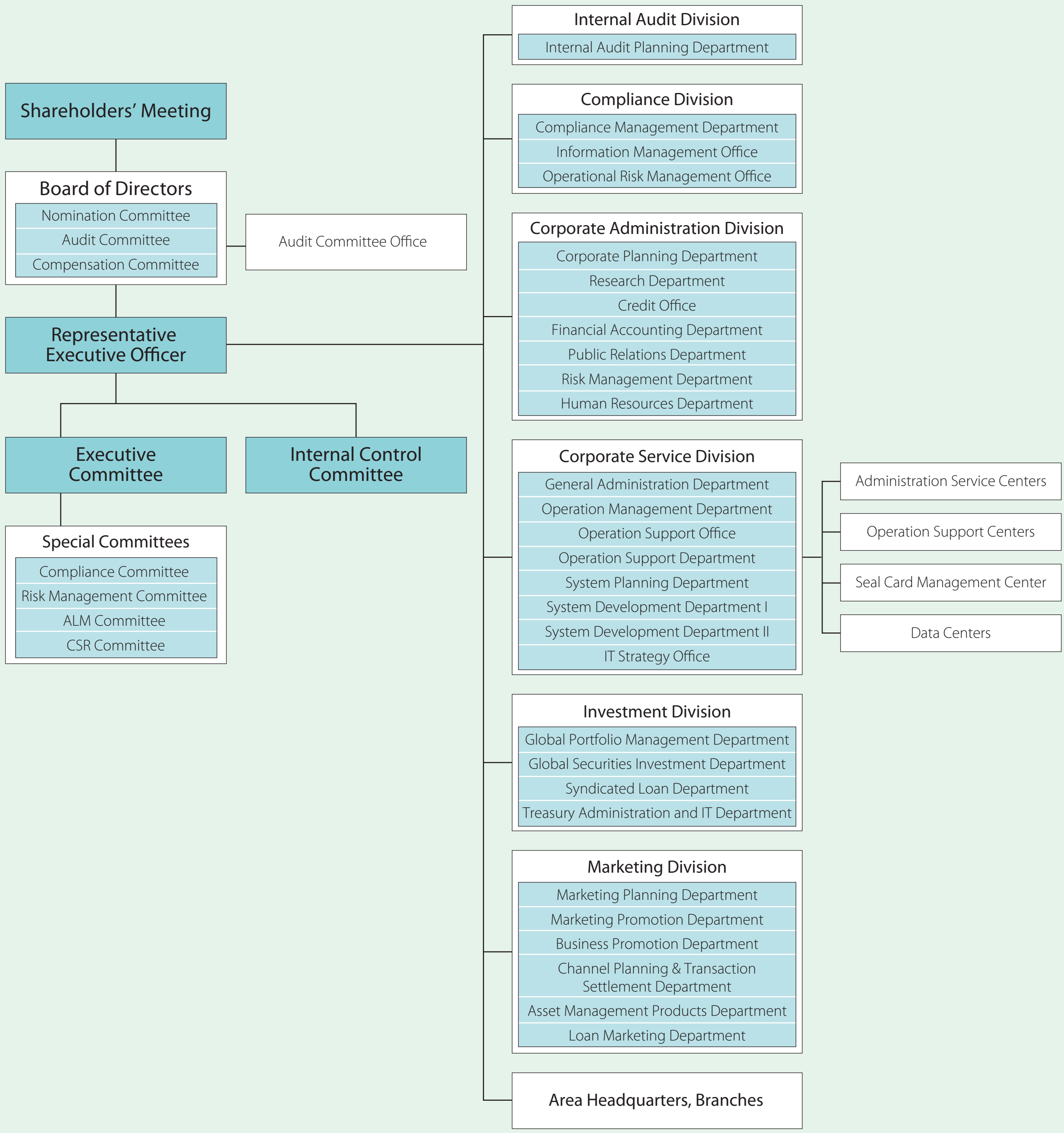
	Billions of yen, %	
	2010	2009
Amount of loss (A)	**¥2,022.7**	¥1,808.3
Capital (broad category, Tier I + Tier II) (B)	**8,375.2**	8,152.4
Loss-to-capital ratio (A)/(B)	**24.15**	22.18

Notes: 1. The Bank adopts an interest rate shock scenario based on historical interest rate fluctuation data for a five-year period with a one-year holding period. Confidence levels of 1% and 99% for interest rate fluctuations are applied in this scenario.

2. According to the "Comprehensive Guidelines for Major Banks, etc." prescribed by the Financial Services Agency (FSA), "Because JAPAN POST BANK is obligated legally to hold a portion of its assets in government bonds and other "safe" assets, the FSA takes this special information into consideration in its oversight of the Bank in terms of the application of the outlier standard".

Organization

As of July, 1, 2010



Corporate Data

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JAPAN POST BANK

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