2011

JAPAN POST BANK Annual Report

Year ended March 31, 2011

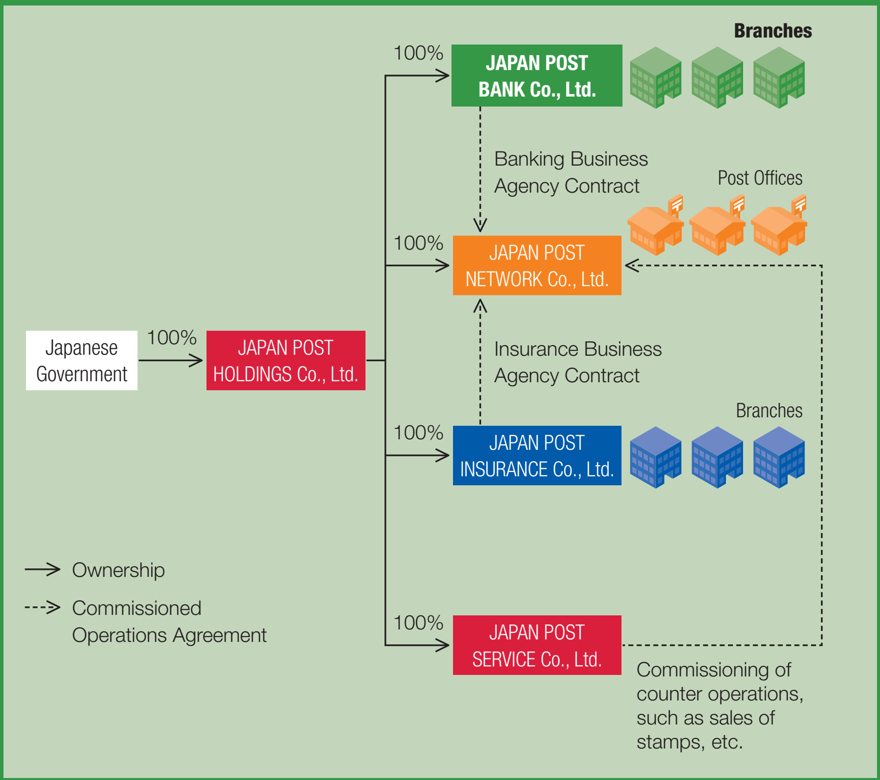
JAPAN POST BANK

Profile

As a member of the JAPAN POST GROUP, JAPAN POST BANK offers financial services for mainly 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 accessible and trustworthy Bank in Japan.*" The trust we have earned from customers is underscored by our deposits, which exceed ¥174 trillion. This level of deposits gives us the dominant number one share in Japan and places us among the top banks worldwide.

JAPAN POST GROUP

As of March 31, 2011



History

From its first day in business, JAPAN POST BANK has continuously provided retail financial services that are available to every person in Japan.

Origins

Postal savings and money order services in Japan can be traced back to 1875, four years after the birth of Japan's postal system, when Hisoka Maejima—who is referred to as the father of Japan's modern postal services—began offering postal savings in Tokyo and Yokohama.

On a fact-finding mission in the U.K., Maejima found that the post offices there were not only involved in the postal business but also offered postal money order and postal savings services. He learned that postal savings services had played a significant role in the betterment of people's lives in the U.K. and the development of the nation as a whole. Maejima returned to Japan determined to provide postal savings services in his home country. His countrymen at the time embraced postal savings with open arms. In fact, within only the first 3 years of service, postal savings had attracted 10,000 customers.

Before the Second World War

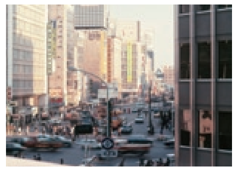
From 1878, postal savings were invested by depositing them with the Ministry of Finance, and until the turn of the century, Japanese Government Bonds accounted for the majority of that investment. Subsequently, the scope of these investments was gradually expanded to include bank debentures and Japanese local government bonds. In this way, postal savings were utilized in the formation of social capital throughout Japan. Through this investment approach, postal savings became widely known among the Japanese people as not just the safest way of depositing money, but also as a means of contributing to the development of local communities and the nation as a whole.

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.

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 the construction of expressways, airports and other major national projects that require vast sums of capital. Postal savings were also made available as operating funds for small and medium-sized companies; and as funds for the construction of housing for the Japanese people, greatly assisting with the development of corporations and the betterment of people's lives. All of these uses of postal savings contributed to the development of Japan's post-war economy. 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 growth in savings leading to further increases in the amount of investment in social development. In this way, postal savings increased in tandem with Japan's post-war economic growth.



Steps 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, resulting in the birth of the new Postal Services Agency. Since April 2001, the agency has expanded independent investment of postal savings.

In 2003, the government reorganized the Postal Services Agency into JAPAN POST (Nippon Yusei Kosha), 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 (Nippon Yusei Kosha) 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.

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.

A postal deposit passbook circa 1875

1906
Began money transfers between postal savings accounts nationwide.

This poster was created around 1925 to encourage people to save.

2001
In accordance with the central government reform, the Postal Services Agency established.

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

1870 1880 1890 1900 1910 1920 1930 1940 1950 1960 1970 1980 1990 2000 2010

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

1880
Started postal money order service for overseas remittances.

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

A poster from the late-1800s introducing the role of post offices.

A lobby where postal savings are being accepted, circa 1890.

This deposit passbook for children was designed to encourage children to get into the habit of saving.

ATM services were first offered in 1981.

Cash Card

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Cautionary Statement

This report contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations and assumptions made by JAPAN POST BANK'S management. These statements are based on plans, estimates and projections currently available to management at the time of producing these statements. JAPAN POST BANK undertakes no obligation to publicly update or revise any forward-looking statements in light of new information or future events.

By their nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statements. Accordingly, readers are asked not to place undue reliance on forward-looking statements in this report.

Financial Highlights

Statements of Income

	Millions of yen			Thousands of U.S. dollars
Years ended March 31	2011	2010	2009	2011
Gross operating profit:	¥1,718,949	¥1,710,447	¥1,746,765	$20,672,869
Net interest income	1,686,472	1,621,305	1,655,330	20,282,287
Net fees and commissions	87,990	86,162	91,096	1,058,218
Net other operating income (loss)	(55,514)	2,979	338	(667,637)
General and administrative expenses (excluding non-recurring losses)[*1]	1,210,195	1,221,290	1,266,162	14,554,370
Operating profit (before provision for (reversal of) general reserve for possible loan losses)	508,753	489,157	480,602	6,118,498
Net ordinary income	526,550	494,252	385,243	6,332,533
Net income	316,329	296,758	229,363	3,804,328

Balance Sheets

	Millions of yen			Thousands of U.S. dollars
As of March 31	2011	2010	2009	2011
Total assets:	¥193,443,350	¥194,678,352	¥196,480,796	$2,326,438,373
Securities	175,026,411	178,230,687	173,551,137	2,104,947,824
Loans	4,238,772	4,022,547	4,031,587	50,977,418
Total liabilities:	184,349,715	185,838,804	188,301,222	2,217,074,152
Deposits	174,653,220	175,797,715	177,479,840	2,100,459,654
Net assets	9,093,634	8,839,547	8,179,574	109,364,220

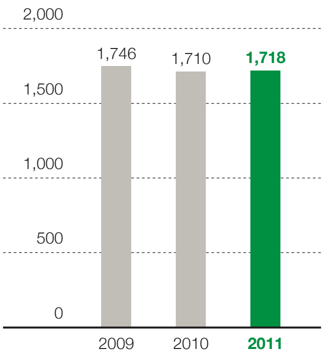
Key Indicators and Others

Years ended March 31	2011	2010	2009
Net income to assets (ROA)[*2]	0.16%	0.15%	0.11%
Net income to equity (ROE)[*3]	3.52%	3.48%	2.82%
Expense-to-deposit ratio[*4]	0.68%	0.68%	0.70%
Capital adequacy ratio (non-consolidated, domestic standard)[*5]	74.82%	91.62%	92.09%
Tier I capital ratio	74.81%	91.61%	92.08%
Number of employees[*6]	12,351	12,060	11,675
Number of outlets	24,248	24,185	24,086
Number of ATMs	26,331	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 (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. 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 JAPAN POST BANK by other companies. The figures do not include short-term contract and part-time employees.

Gross Operating Profit

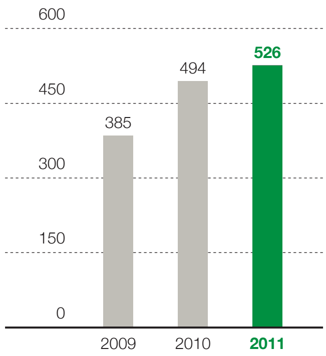
¥ billion



0.4% up

Net Ordinary Income

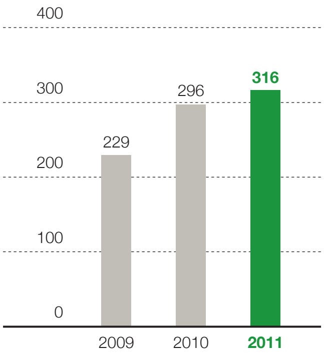
¥ billion



6.5% up

Net income

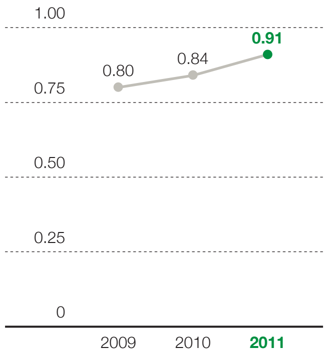
¥ billion



6.5% up

Net Interest Spread (Gross Margin)

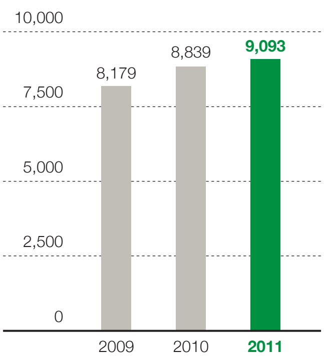
%



0.06point up

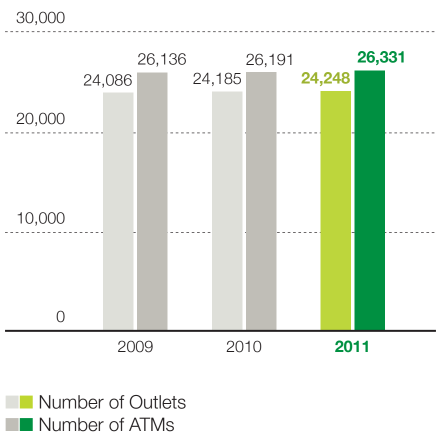
Net Assets

¥ billion



2.8% up

Number of Outlets / Number of ATMs



Note: All comparisons are between 2011 and 2010.

Message from the President & CEO

First and foremost, I wish to express my deepest sympathies to all those who were personally affected by the Great East Japan Earthquake, which struck the Tohoku region in March. I sincerely hope that the affected region will achieve a speedy recovery.

The Bank has been making every possible effort to be of assistance to those affected by the disaster. At the same time, we are also striving to fortify our core business foundation and working solidly to provide even better products and services for our customers, with the aim of being "*the most accessible and trustworthy Bank in Japan*".

Economic Environment and Business Performance in the Year Ended March 2011

Looking back at the economic environment in the year ended March 31, 2011, the global economy continued to make a moderate recovery, driven by strong growth in emerging markets, notably China and India. However, the pace of growth has gradually slowed, and measures to restore fiscal health by various nations have increased the risk of economic stagnation primarily in developed countries.

The Japanese economy saw improvement in corporate earnings and an upturn in consumer spending. However, there are heightened concerns of an economic downturn in the wake of the Great East Japan Earthquake, and the rising price of crude oil, coupled with political instability in the Middle East and North Africa regions.

Under these economic circumstances, the Bank worked very hard to secure interest and other income, overcoming a drop in the balance of deposits and other opposing factors. As a result we successfully earned net income of ¥316.3 billion for the year ended March 31, 2011, over and above our initial plan.

Initiatives in the Year Ended March 2011

During the past fiscal year, we aspired to strengthen and underpin our business foundation, focusing on three themes within our management model: securing stable income; emphasizing the public service and region-focused nature of our operations; and strengthening our integrated marketing activities with JAPAN POST NETWORK.

Specifically, under the rigorous policy "Compliance First", we forged ahead with implementing our marketing and asset-liability management strategy ("ALM"), enhancing management and internal control systems.

In terms of our marketing strategy, we succeeded to strengthen our marketing systems. Moves have included the establishment of "13 Regional Headquarters" to manage our 234 branches and to support the activities of approximately 24,000 post offices belonging to JAPAN POST NETWORK (who act as our banking agents). Furthermore, we have begun to offer the JP BANK JCB CARD EXTAGE; a credit card targeting young customers, and we have also stepped up our advertising campaigns on prime-time TV.

Regarding our ALM strategy, our interest income, principally from investment in Japanese Government Bonds, accounts for the majority of our earnings. We have endeavoured to secure stable earnings periodically by diversifying business risk and revenue sources through the broadening of our investment fields, whilst accurately controlling interest rate risk. Specifically, we have been diversifying our portfolio by investing in Japanese Local Government Bonds, Corporate Bonds, Foreign Bonds and other financial instruments.

Core measures to bolster our management systems include significantly strengthening and expanding human resource development, and providing appropriate training programs according to staff function and employee skill level.

Furthermore, in the year ended March 31, 2011, we continued the enhancement of our internal control procedures, in addition to promoting administrative quality enhancement, and strengthened compliance management. This has led to a much improved level of security, fully protecting customer information. Our customers can wholeheartedly have trust and total confidence in doing business with us.

Initiatives and Issues in the Year Ending March 2012

We have determined the fiscal year ending March 31, 2012 as a year for further strengthening our business base and to implement the following strategies:

On the marketing front, we will take steps to raise earnings and nurture new customers by strengthening our marketing systems. Specifically, we will continue to enhance the leadership of Regional Headquarters, to supervise retail sales in each region, and to promote integrated area initiatives with JAPAN POST NETWORK. In addition, through such activities as deposit rollover campaigns, we will endeavor to maintain our deposit base, while fortifying customer fundamentals and by stepping up marketing efforts for our younger generation and business corporations. We will also run effective advertising campaigns based on marketing techniques and analyses.

In terms of investment, we will work positively to secure stable earnings, diversifying our asset portfolio through the further spread of investments. This will be based on formulated control of risk by further sophistication of our ALM system. At the same time as improving risk management, we will actively invest and contribute to the revitalization of regional economies.

In terms of bolstering management systems, we will step up human resource development. Our belief is that human resource management is the cornerstone of our operations. We will therefore enhance training programs for distinct functions and differing skill levels of employees, to effectively utilize our human resources. Moreover, we will implement 'Business Process Re-Engineering' in order to improve the efficiency and quality of our business, as well as increase profits. We will also open representative offices in London and Hong Kong, as part of our move to strengthen overseas research capabilities with the view to empowering market investment, risk management and other areas.

To further enhance internal control systems, we are fortifying our compliance management and safeguarding customer's individual information. In turn this will improve administrative quality, and allow us to surge ahead with our planned ICT strategies that include developing our next generation of integrated information processing systems.

While demonstrating strong leadership, we, the top management, will vigorously continue working together with our staff to encourage and build upon "*the most accessible and trustworthy Bank in Japan*" and to realize sustainable growth for the years ahead.

August 2011

Y. Izawa

Yoshiyuki Izawa
President & CEO

Our values:

The Bank has built up a deposit base of **¥174 trillion ($2,100 billion)** through historical concerted efforts spanning its 130-plus years—a testament to three forms of value: "Accessible," "Trustworthy," and "Proactive." Looking ahead, the Bank remains committed to providing these three forms of value to its customers, with the aim of achieving sustainable growth into the future.

Accessible

The Bank aims to continue offering accessibility to financial services to customers in every corner of Japan by maintaining and refining its network.

Trustworthy

The Bank aims to be the most trustworthy bank for customers based on a strong fund-procurement base.

Proactive

The Bank aims to achieve sustainable growth through the proactive development of its earnings structure.

Accessible

We aim to continue offering accessibility to financial services.

An Expansive and Accessible Network

As of March 31, 2011, the Bank had a total of 24,248 outlets (234 branches and 24,014 post offices) as well as 26,331 ATMs nationwide. The Bank thus has a wide and concentrated nationwide outlet network. This network is the wellspring of the value the Bank provides. It offers unrivalled accessibility, which is one of the major reasons customers choose to bank with us.

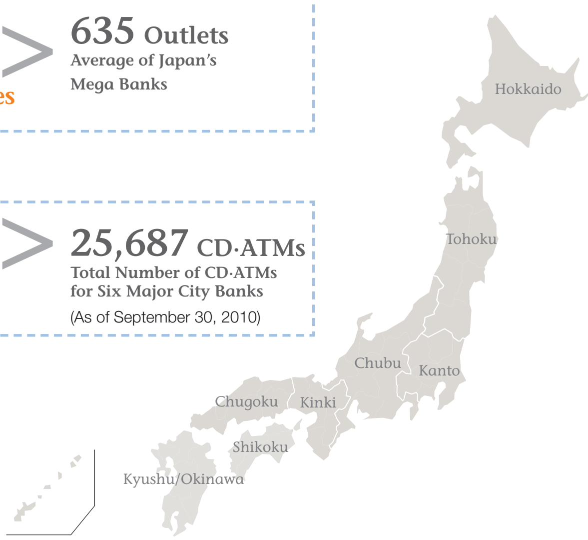
Japan

Number of Domestic Outlets (As of March 31, 2011)

234 Branches
+
24,014 Post Offices
> 635 Outlets
Average of Japan's Mega Banks

Number of Domestic ATMs

26,331 ATMs
(As of March 31, 2011)
> 25,687 CD·ATMs
Total Number of CD·ATMs for Six Major City Banks
(As of September 30, 2010)



Hokkaido Region

5 Branches
1,487 Post Offices
1,683 ATMs

Tohoku Region

10 Branches
2,567 Post Offices
2,289 ATMs

Chubu Region

33 Branches
4,497 Post Offices
4,550 ATMs

Kanto Region

111 Branches
4,996 Post Offices
7,025 ATMs

Kinki Region

44 Branches
3,415 Post Offices
4,107 ATMs

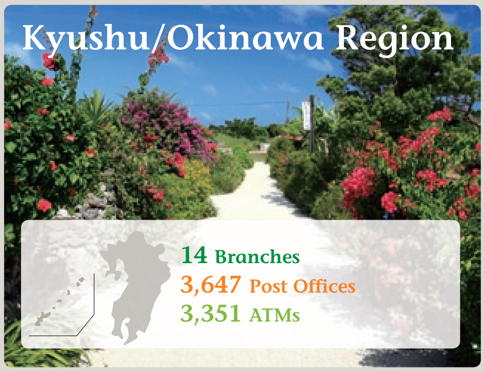
Chugoku Region

11 Branches
2,249 Post Offices
2,169 ATMs

Shikoku Region

6 Branches
1,156 Post Offices
1,157 ATMs

Kyushu/Okinawa Region



14 Branches
3,647 Post Offices
3,351 ATMs

Notes: 1. Outlets = Branches + post offices
2. Japan's Mega Banks: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, and Mizuho Bank, Ltd.
3. JAPAN POST BANK had 26,215 ATMs as of September 30, 2010.
Sources: Created from published materials from each company.
Japan Bankers Association official web site

Trustworthy

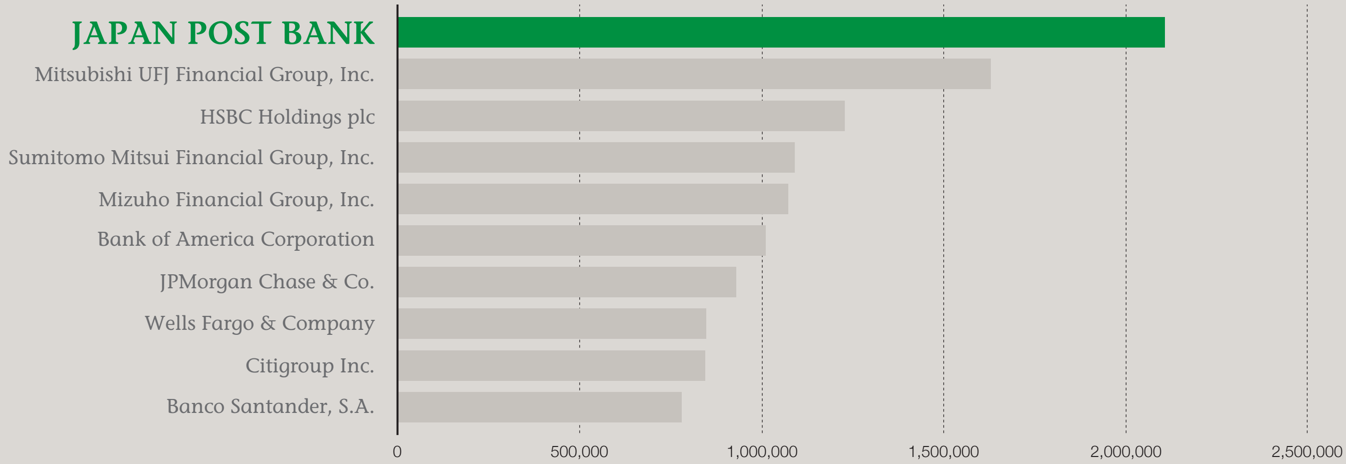
We aim to be the most trustworthy bank.

Massive Deposit Base

Over the past 130 years since its founding, the Bank has provided savings products and services to customers across the country. Today, the Bank boasts one of the largest deposit balances in the world.

Total Deposits of Major Banks Around the World

US$ million



Note: Japanese banks as of March 31, 2011, others as of December 31, 2010. Calculated based on foreign exchange rates as of the respective fiscal year-end.
Source: Created from published materials

Proactive

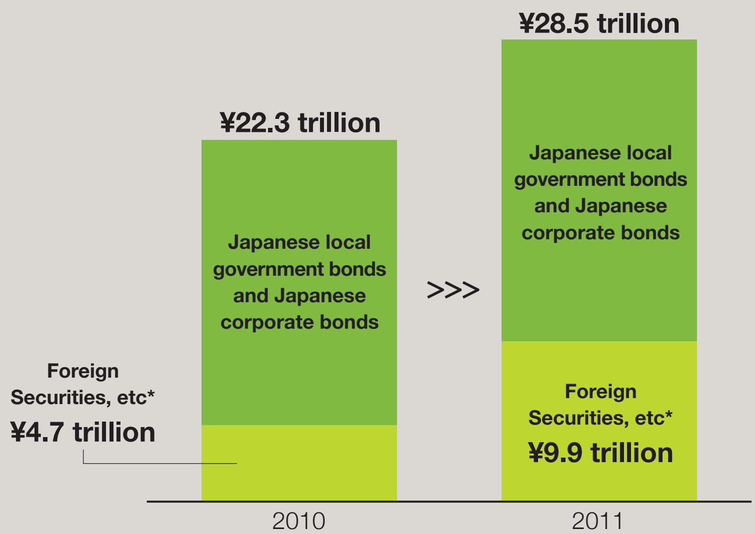
We aim to achieve growth through the proactive development of our earnings structure.

Building an Even Stronger Earnings Structure

The Bank's earnings structure is premised on a stable business model in which the Bank attracts low-interest deposits and invests those deposits in securities, primarily Japanese government bonds, to secure interest income. However, in order to build an even stronger earnings structure, the Bank is working to spread revenue sources by diversifying its assets portfolio under a refined risk management system. Specifically, the Bank is increasing investment in Japanese local government bonds, Japanese corporate bonds, and foreign bonds.

Balance of Securities Excluding JGBs

As of March 31



* Classified as "Others" or "Other securities" in securities filings.

Message from the Chairman

In March 2011, the Great East Japan Earthquake, a major natural disaster of unprecedented proportions, struck Japan. On behalf of JAPAN POST BANK, I would like to send our sincerest thoughts and prayers to those who were directly affected by the earthquake and tsunami. In cooperation with JAPAN POST NETWORK Co., Ltd. and other Group companies, we have put our full weight on relief and recovery efforts. Specific assistance in disaster-stricken areas has included operating on weekends and public holidays, and offering special treatment to customers who lost their account passbooks in the disaster. We also dispatched mobile "post offices on wheels" to evacuation shelters and other sites. Furthermore, we offered free transfers of natural disaster relief donations from customers, and the JAPAN POST GROUP also made a donation.

Through these disaster relief activities, we have reaffirmed the importance of our roles and responsibilities as a financial institution that provides the largest network in Japan. With the aim of being "*the most accessible and trustworthy Bank in Japan*" by fulfilling these roles going forward, we are determined to intensify our business foundation in terms of compliance, corporate governance, and CSR.

In regard to compliance, our management philosophy is to fulfill society's expectations and demands in a sincere manner. Based on this philosophy, the JAPAN POST GROUP has spent many years building relationships of trust with customers. To cement this trust and stay in step with a fast-changing business environment, under such slogans as "Without Compliance, Our Bank Cannot

Remain in Business" and "Compliance First," we continue to forge steadily ahead with our business improvement plan submitted to the Financial Services Agency.

Our corporate governance priorities are to establish an accountable management framework, strengthen monitoring and supervisory functions over management, and enhance management transparency. To endorse these priorities organizationally and to enhance management transparency and objectivity, the Bank has adopted the committees system under the Board of Directors, which constitutes the Nomination Committee, the Audit Committee, and the Compensation Committee. Business execution is entrusted to Executive Officers based on the Board of Directors' resolutions. The entrusted officers discuss in the Executive Committee and the Internal Control Committee particularly important business matters from various angles, leading to better decisions, and flexible and speedy execution.

JAPAN POST BANK sees CSR as one of its highest management priorities given the magnitude of its role in society. We will continue to focus on three key CSR themes—offering accessible services to every customer, contributing to society and regional communities, and protecting the environment. Guided by these themes, we will continue to fulfill our social responsibilities in cooperation with other JAPAN POST GROUP companies.

We don't have a goal per se to strengthen our business foundation. Rather we must constantly reaffirm issues and make continuous improvements and enhancements. I am convinced that the surest path for the Bank to be "*the most accessible and trustworthy Bank in Japan*," which will secure our stable income and sustainable growth, is continuous implementation of this "Plan-Do-Check-Action" process across the Bank led by the management and with Group companies.

August 2011

Shigeo Kawa
Chairman

Corporate Governance

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.

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. Furthermore, the Executive Officer Meeting, which is comprised of all Executive Officers, discusses various management issues.

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.

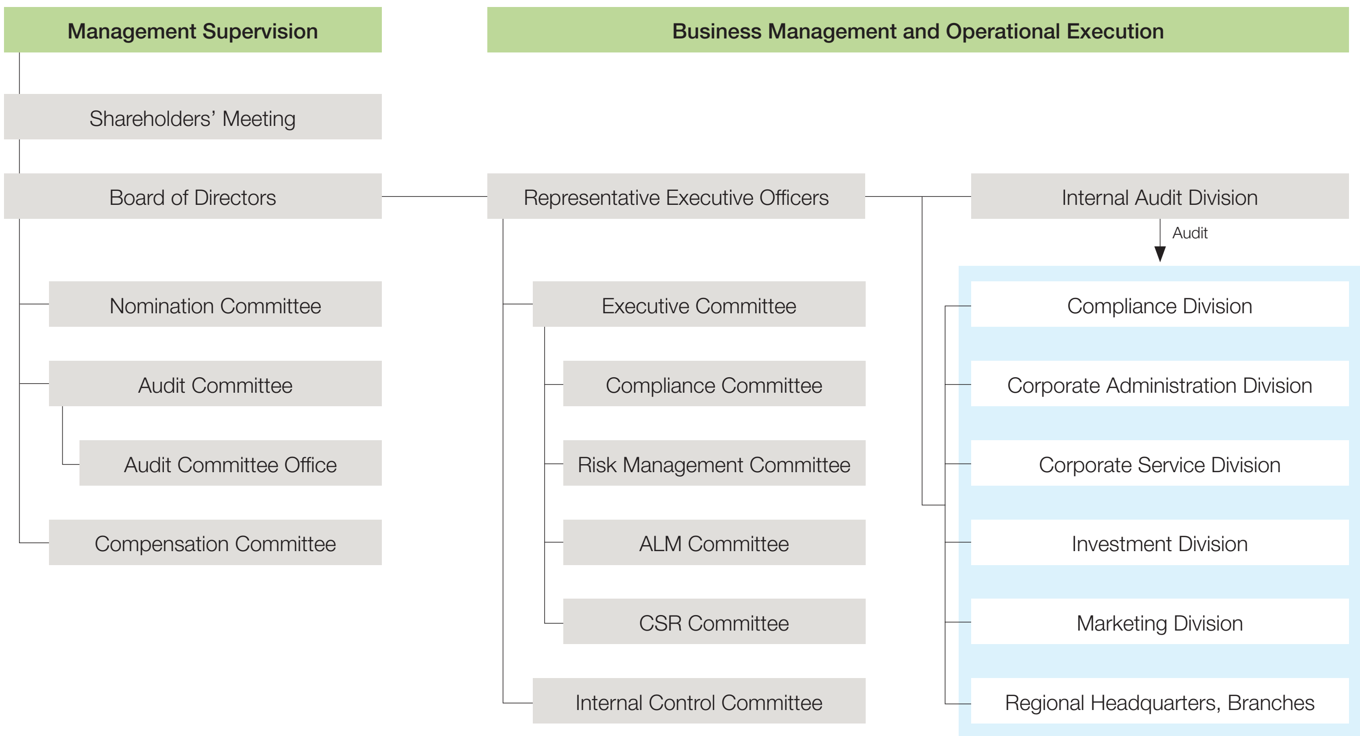
ALM Committee

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



Internal Auditing

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

The Internal Audit Division conducts audits of the head office divisions, Regional 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 systems, including compliance and risk management.

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

In regard to major issues that are found in an audit, the division offers recommendations for correction and improvement, follows up on the progress of improvement measures, and provides reports to the 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, making risk management at financial institutions increasingly important. We place a high priority on risk management and are taking steps to refine our sophisticated framework for risk management, including the identification and control of the risks associated with our operational activities.

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

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

Risk Categories and Definitions

We 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 System

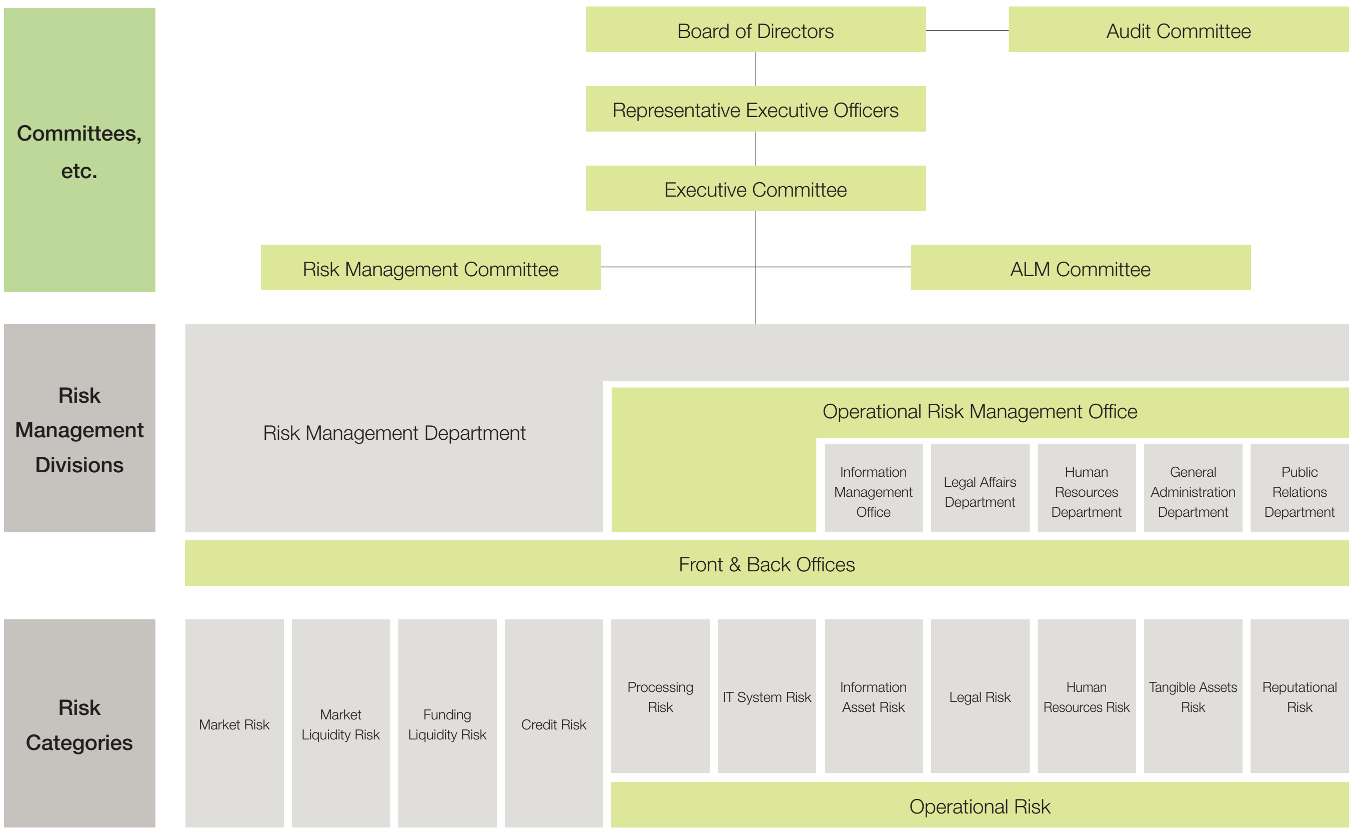
We have established risk management entities for each risk category as well as the Risk Management Department, which is responsible for monitoring the risks within the risk categories in an integrated manner in order to ensure the effectiveness of our comprehensive risk management. The Risk Management Department operates independently from other departments.

Management of operational risk, which is the main risk from the perspective of appropriate operations, is overseen by the Operational Risk Management Office.

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

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

Risk Management System



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.

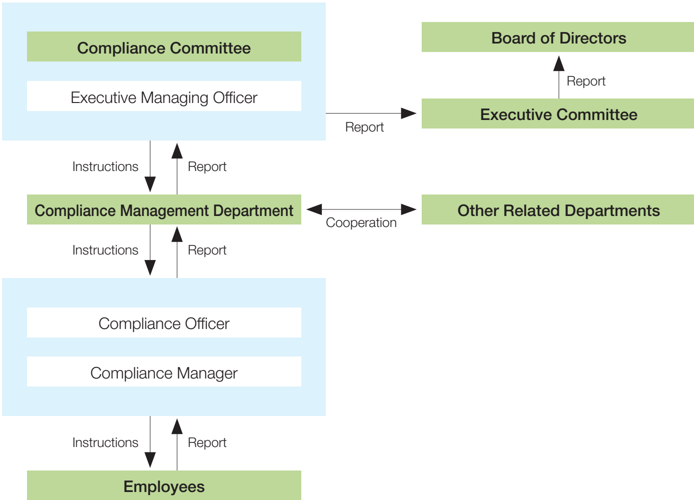
Compliance

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 directors and 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 compliance violations or potential compliance violations 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.

CSR (Corporate Social Responsibility)

JAPAN POST BANK sees CSR as one of its highest management priorities given the fundamental importance of the Bank's role in society. Aiming to become "*the most accessible and trustworthy Bank in Japan,*" we will continue to fulfill our responsibilities as a good corporate citizen. In the process, we will remain focused 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

We strive to provide a range of products and services to ensure that senior citizens, people who are physically challenged and other customers can readily access the Bank's services. Examples include a pension delivery service for senior citizens and services using Braille for the visually impaired.

Efforts are also focused on upgrading and expanding barrier-free facilities at Bank locations so that all customers feel at ease using the Bank's facilities. For example, branch entrances and exits are fitted with ramps and handrails. In addition, textured paving blocks have been installed for visually impaired customers.

Examples of Activities

Discounted Money Transfer Fees for the Visually Impaired

Since January 2011, we have offered discounts on money transfer fees for visually impaired customers transferring money from teller windows at branches. By presenting their physical disability certificates, these customers can transfer money from branch teller windows at the ATM rate, which is lower than the branch teller window rate.

Establishment of "JAPAN POST BANK ARIGATO Center"

As part of our CSR activities, we established the "JAPAN POST BANK ARIGATO Center" in November 2010. At this facility, people who are challenged bag candy and other items that are handed to customers visiting branches.

Bagging operation at the "JAPAN POST BANK ARIGATO Center"

Contributing to Society and Local Communities

As a bank with deep roots in local communities, we are actively engaged in social contribution activities. For example, we have established the "JAPAN POST BANK Deposits for International Aid" program; participate in clean-up activities and local events held by local communities, including areas surrounding branches; and purchase items produced at workshops for persons with disabilities and hand them out to our customers. Other social contribution measures include free-of-charge money transfers for natural disaster relief donations, and emergency handling of deposits.

Examples of Activities

Free-of-charge Money Transfers for Natural Disaster Relief Donations and Emergency Handling of Deposits

To support relief activities for those affected by earthquakes, flooding or other natural disasters, we offer free money transfers for relief donations sent from the Bank or savings counters at post offices to the accounts of the Japanese Red Cross Society, community chests, and local public bodies engaged in relief and other activities.

Free money transfers are also offered to causes aimed at contributing to the public good, provided that they have been designated as such by the Bank.

In addition, we have begun emergency handling of deposits. With this initiative, we permit withdrawals and offer other special services to depositors who have lost their deposit passbooks, deposit certificates, seals or other such articles as a result of natural disasters, provided that certain conditions are met.

"JAPAN POST BANK Deposits for International Aid"

We conduct the "JAPAN POST BANK Deposits for International Aid" program to ensure that we lend the fullest possible support to people in need and to environmental preservation activities around the world.

Under the "JAPAN POST BANK Deposits for International Aid" program, customers donate 20% of the interest received on their savings (after-tax) to JAPAN POST BANK. The donations are then transferred to the JAPAN POST BANK/Japan International Cooperation Agency (JICA) International Aid Fund. Subsequently, through the JICA Fund established by JICA, 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) and other groups.

Given the increasing importance of environmental preservation measures in recent years, customers may also choose to donate funds specifically to international cooperation and aid efforts in the field of environmental preservation.

The program began in October 2008, and as of March 31, 2011 we had received 202,764 applications for the program, and a total of ¥2.33 million has been donated to the JICA fund.

Logo for "JAPAN POST BANK Deposits for International Aid"

Piggy Bank Design Contest for Children

With the objectives of increasing children's interest in saving and fostering their artistic creativity by making piggy banks, we hold an original piggy bank design contest for children, the leaders of tomorrow's society.

We started the contest in 1975 to commemorate the founding centennial of postal savings services in Japan. The fiscal year ended March 2011 marked the 35th contest. We received 782,463 piggy bank entries from 11,905 elementary schools across Japan.

Furthermore, in the fiscal year ended March 2011, we continued our efforts from the previous year to help children who participate in the contest develop a better understanding of the situation of children of the same age living in developing countries and consider the importance of international aid initiatives. To this end, in proportion to the number of entries received, the Bank donated a total of approximately ¥7.82 million to the Japan Committee for UNICEF and JICA.

Some of the creative piggy bank entries received from children for our design contest

Protecting the Environment

The JAPAN POST GROUP has formulated the "Environmental Vision," running from the fiscal year ended March 2009 to the fiscal year ending March 2013. The "Environmental Vision" identifies global warming and sustainable forests as two key environmental issues the Bank should address.

The Bank has also established the "JAPAN POST BANK Environmental Policy." The basic principle calls on the Bank to make environmentally considerate efforts in terms of energy efficiency and resource conservation, among other areas. The policy's overarching goal is to protect the environment and to pass on the Earth's precious natural environment to future generations. The Bank is also engaged in various environmental protection activities.

Employee volunteers planting trees

Examples of Activities

Energy Efficiency Measures

The Bank has prepared the Energy Efficiency Guidebook in cooperation with other JAPAN POST Group companies. The guidebook sets forth concrete methods on how to achieve higher energy efficiency. Based on the guidebook, the Bank is implementing measures to increase energy efficiency and reduce copy paper usage at all branches and facilities.

Because summer is a time of particularly large energy consumption, all JAPAN POST Group companies also make a concerted effort to conserve energy during this season. Measures include dressing lightly in the office to reduce air conditioner use as part of the government's "Cool Biz" policy and adjusting office air conditioner settings to energy-efficient levels.

Acquisition of ISO 14001 Certification

Since our JAPAN POST years, we have continued working to acquire ISO 14001, an international standard for environmental management systems. The Bank has acquired ISO 14001 certification at 27 branches. At these branches, we have developed the JAPAN POST BANK Environmental Management System as a standardized framework modeled on ISO 14001. Based on this system, the branches are actively working to continuously improve environmental management by reducing their environmental impact and implementing other measures using PDCA cycles.

Board of Directors and Executive Officers

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

Board Members

Shigeo Kawa	Director, Chairman
Yoshiyuki Izawa	Director, President & CEO
Fumio Masada	Director (outside)
Atsushi Kinebuchi	Director (outside)
Jiro Saito	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
Tomohisa Mase	Executive Vice President
Shuichi Ikeda	Senior Managing Executive Officer
Riki Mukai	Managing Executive Officer
Hiroshi Yamada	Managing Executive Officer
Satoshi Hoshino	Managing Executive Officer
Susumu Tanaka	Managing Executive Officer
Masahiro Murashima	Managing Executive Officer
Hiroichi Shishimi	Managing Executive Officer
Kikuo Kushibiki	Managing Executive Officer
Yoko Makino	Executive Officer
Kunihiko Amaha	Executive Officer
Osami Niihori	Executive Officer
Naoto Misawa	Executive Officer
Masato Wakai	Executive Officer
Masaya Aida	Executive Officer
Katsumi Amano	Executive Officer
Yoichi Uno	Executive Officer
Chiharu Komachi	Executive Officer
Harumi Yano	Executive Officer

(As of October 1, 2011)

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, 2011 presents management's discussion and analysis of 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.

Results of Operations

Financial Performance of JAPAN POST BANK

	Millions of yen		
	Fiscal 2011	Fiscal 2010	Difference
Gross operating profit:	**¥1,718,949**	¥1,710,447	¥ 8,501
Net interest income	**1,686,472**	1,621,305	65,166
Net fees and commissions	**87,990**	86,162	1,828
Net other operating income (loss)	**(55,514)**	2,979	(58,493)
General and administrative expenses (excluding non-recurring losses):	**1,210,195**	1,221,290	(11,094)
Personnel expenses	**114,644**	114,704	(60)
Non-personnel expenses	**1,023,872**	1,035,143	(11,270)
Taxes and dues	**71,678**	71,441	237
Operating profit (before provision for (reversal of) general reserve for possible loan losses)	**508,753**	489,157	19,596
Net operating profit	**508,362**	489,032	19,330
Non-recurring gains (losses)	**18,187**	5,219	12,967
Net ordinary income	**526,550**	494,252	32,297
Extraordinary income (loss)	**(1,338)**	(801)	(536)
Income before income taxes	**525,211**	493,450	31,760
Net income	**¥ 316,329**	¥ 296,758	¥ 19,571

Net Operating Profit

In fiscal 2011, gross operating profit was ¥1,718.9 billion, an increase of 0.49% from ¥1,710.4 billion in fiscal 2010. This increase was attributable to a decline in financing costs due to lower interest rates, and to an increase in net interest income due to stable interest income from diversification of assets under management, among other factors.

Net operating profit was ¥508.3 billion, an increase of 3.95% from ¥489.0 billion in fiscal 2010. As a result of efforts to reduce general and administrative expenses, general and administrative expenses declined 0.90% year on year, contributing to earnings.

Net income was ¥316.3 billion, an increase of 6.59% from ¥296.7 billion in fiscal 2010.

Net Interest Income

Net interest income was ¥1,686.4 billion, an increase of 4.01% from ¥1,621.3 billion in fiscal 2010.

Interest income was ¥2,044.1 billion, a decline of 1.06% from ¥2,066.0 billion in fiscal 2010. The decline was primarily attributable to a decrease in the interest on deposits (to the fiscal loan fund), from ¥86.1 billion in the previous fiscal year to ¥14.0 billion in the year under review. Interest on securities was up 2.66% year on year, to ¥1,972.1 billion.

The average balance of interest-earning assets was ¥182,992.2 billion, a decrease of ¥5,539.6 billion from ¥188,531.9 billion in fiscal 2010. The decrease was principally due to a decline in deposits (to the fiscal loan fund). The earnings yield on interest-earning assets was 1.11%, a rise of two basis points from fiscal 2010. This reflected the contribution of an increase in the earnings yield on securities due to diversification of investments.

Interest expenses were ¥357.6 billion, down 19.59% from ¥444.7 billion in fiscal 2010. This decline was attributable to a decrease in interest on deposits due to a decline in interest rates and to a decrease in the balance of borrowed money.

The average balance of interest-bearing liabilities was ¥175,079.3 billion, a decline of ¥5,455.8 billion from ¥180,535.1 billion in fiscal 2010. This decrease reflected declines in deposits and borrowed money. The interest rate on interest-bearing liabilities was 0.20%, down four basis points from fiscal 2010. The major factor behind the decline was a contraction in the balance of borrowed money with a relatively high interest rate. The interest rate on deposits declined one basis point year on year, to 0.17%.

Net Interest Income

	Millions of yen		
	Fiscal 2011	Fiscal 2010	Difference
Net interest income:	**¥1,686,472**	¥1,621,305	¥ 65,166
Interest income	**2,044,121**	2,066,088	(21,967)
Interest expenses	**¥ 357,649**	¥ 444,783	¥(87,134)

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

	Millions of yen					
	Fiscal 2011			Fiscal 2010		
	Average balance	Interest	Earnings yield (%)	Average balance	Interest	Earnings yield (%)
Interest-earning assets:	**¥182,992,293**	**¥2,044,121**	**1.11**	¥188,531,935	¥2,066,088	1.09
Loans	**4,271,676**	**49,471**	**1.15**	3,977,793	47,819	1.20
Securities	**174,125,423**	**1,972,154**	**1.13**	175,880,847	1,920,979	1.09
Deposits (to the fiscal loan fund)	**700,164**	**14,043**	**2.00**	4,452,931	86,123	1.93
Due from banks, etc.	**3,738,512**	**3,517**	**0.09**	4,157,796	6,824	0.16
Interest-bearing liabilities:	**175,079,306**	**357,649**	**0.20**	180,535,198	444,783	0.24
Deposits	**175,713,095**	**305,873**	**0.17**	177,115,167	343,368	0.19
Borrowed money	**¥ 700,164**	**¥ 14,018**	**2.00**	¥ 4,452,931	¥ 86,161	1.93

Net Fees and Commissions

Net fees and commissions were ¥87.9 billion, an increase of 2.12% from ¥86.1 billion in fiscal 2010.

Fees and commissions received were ¥109.6 billion, a 1.10% rise from ¥108.4 billion in fiscal 2010. This overall increase was attributable to an increase in other fees and commissions, despite lower fees and commissions on domestic and foreign exchanges.

Fees and commissions received included ¥64.1 billion of fees and commissions on domestic and foreign exchange, a decline of 0.76% from ¥64.6 billion in fiscal 2010.

Fees and commissions paid were ¥21.7 billion, a decrease of 2.81% from ¥22.3 billion in fiscal 2010.

Net Fees and Commissions

	Millions of yen		
	Fiscal 2011	Fiscal 2010	Difference
Net fees and commissions:	**¥ 87,990**	¥ 86,162	¥1,828
Fees and commissions received	**109,694**	108,493	1,200
Fees and commissions paid	**¥ 21,703**	¥ 22,331	¥ (627)

Net Other Operating Income (Loss)

A net other operating loss of ¥55.5 billion was incurred, compared with other operating income of ¥2.9 billion in fiscal 2010.

Net Other Operating Income (Loss)

	Millions of yen		
	Fiscal 2011	Fiscal 2010	Difference
Net other operating income (loss):	**¥(55,514)**	¥ 2,979	¥(58,493)
Other operating income	**24,134**	13,058	11,075
Other operating expenses	**¥ 79,648**	¥10,079	¥ 69,569

General and Administrative Expenses

General and administrative expenses (including non-recurring losses) were ¥1,209.9 billion, a decrease of 0.91% from ¥1,221.0 billion in fiscal 2010. The decrease was due to declines in non-personnel expenses and personnel expenses.

Personnel expenses were ¥114.3 billion, a decrease of 0.08% from ¥114.4 billion in fiscal 2010.

Non-personnel expenses were ¥1,023.8 billion, a decrease of 1.08% from ¥1,035.1 billion in fiscal 2010.

Components of non-personnel expenses included payments for commissioned services for JAPAN POST NETWORK of ¥631.9 billion. There was a decrease of 0.10% from ¥632.5 billion in fiscal 2010.

Taxes and dues were ¥71.6 billion, an increase of 0.33% from ¥71.4 billion in fiscal 2010.

General and Administrative Expenses

	Millions of yen		
	Fiscal 2011	Fiscal 2010	Difference
Personnel expenses:	**¥ 114,388**	¥ 114,490	¥ (102)
Salaries and allowances	**106,187**	106,479	(292)
Others	**8,200**	8,011	189
Non-personnel expenses:	**1,023,872**	1,035,143	(11,270)
Payments for commissioned services for JAPAN POST NETWORK Co., Ltd.	**631,924**	632,587	(663)
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd.*	**56,264**	73,008	(16,744)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	**90,876**	74,401	16,474
Rent for land, buildings and others	**11,363**	11,499	(136)
Expenses on consigned businesses	**75,779**	86,655	(10,875)
Depreciation and amortization	**34,959**	45,083	(10,123)
Communication and transportation expenses	**24,119**	23,363	755
Maintenance expenses	**16,542**	16,781	(239)
Others	**82,044**	71,762	10,281
Taxes and dues	**71,678**	71,441	237
Total	**¥1,209,939**	¥1,221,076	¥(11,136)

* The Bank makes payments of subsidies to JAPAN POST HOLDINGS Co., Ltd. in accordance with Article 122 of the Postal Service Privatization Law.

Non-Recurring Gains (Losses)

In fiscal 2011, non-recurring gains were ¥18.1 billion, an increase of 248.42% from the non-recurring gains of ¥5.2 billion in fiscal 2010. We make investments in equities through money held in trust. Gains on money held in trust were ¥13.7 billion, up ¥11.3 billion year-on-year.

Non-Recurring Gains

	Millions of yen		
	Fiscal 2011	Fiscal 2010	Difference
Non-recurring gains (losses):	**¥18,187**	¥5,219	¥12,967
Gains (losses) on money held in trust	**13,750**	2,377	11,372
Other non-recurring gains (losses)	**¥ 4,437**	¥2,842	¥ 1,595

Financial Condition

ASSETS

	Millions of yen		
	As of March 31, 2011	As of March 31, 2010	Y-o-Y change
Cash and due from banks	**¥ 5,050,921**	¥ 4,440,804	¥ 610,117
Call loans	**429,663**	261,649	168,014
Receivables under securities borrowing transactions	**4,483,396**	2,495,622	1,987,773
Monetary claims bought	**133,214**	124,082	9,132
Trading account securities	**282**	196	86
Money held in trust	**1,806,768**	1,015,355	791,412
Securities	**175,026,411**	178,230,687	(3,204,276)
Loans	**4,238,772**	4,022,547	216,224
Foreign exchanges	**4,735**	5,860	(1,125)
Other assets	**1,954,512**	3,902,137	(1,947,624)
Tangible fixed assets	**151,255**	142,032	9,223
Intangible fixed assets	**55,157**	38,931	16,226
Customers' liabilities for acceptances and guarantees	**110,000**	—	110,000
Reserve for possible loan losses	**(1,742)**	(1,556)	(186)
Total assets	**¥193,443,350**	¥194,678,352	¥(1,235,001)

Total Assets

As of March 31, 2011, total assets were ¥193,443.3 billion, a decline of ¥1,235.0 billion, or 0.63%, from ¥194,678.3 billion as of March 31, 2010. The decrease was attributable to a ¥3,204.2 billion year-on-year decline in securities such as Japanese Government Bonds and a ¥2,000.0 billion year-on-year decline in deposits (to the fiscal loan fund), which are included in other assets.

Money Held in Trust

Money held in trust amounted to ¥1,806.7 billion, an increase of ¥791.4 billion, or 77.94%, from ¥1,015.3 billion as of March 31, 2010. Investments in equities and other instruments through money held in trust were aimed at diversifying investments and associated risks.

Unrealized gains on money held in trust were ¥137.1 billion, an increase of ¥65.8 billion from the unrealized gains on money held in trust in fiscal 2010, 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, 2011 and 2010 consisted of the following:

Millions of yen					
As of March 31, 2011			As of March 31, 2010		
Acquisition costs (A)	Balance sheet amount (B)	Difference (B)–(A)	Acquisition costs (A)	Balance sheet amount (B)	Difference (B)–(A)
¥1,669,573	**¥1,806,768**	**¥137,194**	¥944,044	¥1,015,355	¥71,311

Securities

The balance of securities as of March 31, 2011 was ¥175,026.4 billion, a decrease of ¥3,204.2 billion, or 1.79%, from ¥178,230.6 billion as of March 31, 2010.

The balance of Japanese Government Bonds was ¥146,460.9 billion, a decrease of ¥9,430.6 billion, or 6.04%, from ¥155,891.5 billion as of March 31, 2010. Japanese Government Bonds account for a very large proportion of funding operations.

As of March 31, 2011, Japanese local government bonds amounted to ¥5,658.8 billion, an increase of ¥369.6 billion, or 6.98%, from March 31, 2010.

As of March 31, 2011, Japanese corporate bonds (including commercial paper) amounted to ¥12,907.7 billion, an increase of ¥626.5 billion, or 5.10%, from March 31, 2010.

To diversify our investment, we increased the amount invested in foreign securities. Other securities, which mainly consisted of foreign securities, amounted to ¥9,998.8 billion, increasing ¥5,230.1 billion, or 109.67%, from March 31, 2010.

Securities

	Millions of yen		
	As of March 31, 2011	As of March 31, 2010	Y-o-Y change
Securities:	**¥175,026,411**	¥178,230,687	¥(3,204,276)
Japanese Government Bonds	**146,460,963**	155,891,563	(9,430,600)
Japanese local government bonds	**5,658,837**	5,289,202	369,634
Japanese corporate bonds	**12,907,752**	12,281,230	626,522
Other securities	**¥ 9,998,859**	¥ 4,768,691	¥ 5,230,167

The changes in unrealized gains (losses) were attributable to the following factors.

The valuation difference on held-to-maturity securities decreased ¥39.4 billion year on year to ¥2,985.9 billion. The valuation difference on available-for-sale securities whose fair value is available decreased ¥49.6 billion year on year, to ¥524.1 billion.

Unrealized Gains (Losses) on Securities

Held-to-maturity securities whose fair value is available as of March 31, 2011 and 2010 consisted of the following:

		Millions of yen		
		As of March 31, 2011		
	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	**¥105,570,947**	**¥108,314,021**	**¥2,743,074**
	Japanese local government bonds	**2,934,690**	**3,021,439**	**86,748**
	Japanese corporate bonds	**5,659,716**	**5,810,288**	**150,572**
	Others	**122,761**	**131,157**	**8,396**
	Total	**114,288,115**	**117,276,907**	**2,988,791**
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	**2,087,144**	**2,085,496**	**(1,647)**
	Japanese local government bonds	**—**	**—**	**—**
	Japanese corporate bonds	**462,254**	**461,778**	**(475)**
	Others	**24,233**	**23,491**	**(742)**
	Total	**2,573,632**	**2,570,766**	**(2,866)**
Total		**¥116,861,747**	**¥119,847,673**	**¥2,985,925**

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	Type	Millions of yen As of March 31, 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

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

	Type	Millions of yen **As of March 31, 2011** 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	**¥30,399,283**	**¥29,984,550**	**¥ 414,732**
	Japanese local government bonds	**2,068,693**	**2,016,399**	**52,294**
	Japanese corporate bonds	**5,181,044**	**5,077,680**	**103,364**
	Others	**6,664,696**	**6,530,953**	**133,742**
	Total	**44,313,718**	**43,609,583**	**704,134**
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds			
	Japanese Government Bonds	**8,403,587**	**8,425,949**	**(22,361)**
	Japanese local government bonds	**655,453**	**661,106**	**(5,652)**
	Japanese corporate bonds	**1,604,736**	**1,635,889**	**(31,152)**
	Others	**4,364,482**	**4,485,295**	**(120,813)**
	Total	**15,028,260**	**15,208,240**	**(179,980)**
Total		**¥59,341,978**	**¥58,817,824**	**¥ 524,154**

	Type	Millions of yen As of March 31, 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

Loans

The balance of outstanding loans was ¥4,238.7 billion, an increase of ¥216.2 billion, or 5.37%, from ¥4,022.5 billion as of March 31, 2010.

Almost all of our loans are classified as normal loans. The non-performing loan amount with respect to disclosures under the Financial Reconstruction Law was almost zero.

Loans by Industry

Millions of yen

	As of March 31, 2011		As of March 31, 2010		Y-o-Y change
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount
Agriculture, forestry, fisheries and mining	**—**	**—**	—	—	—
Manufacturing	**¥ 171,860**	**4.05**	¥ 132,666	3.29	¥ 39,194
Utilities, information/communications, and transportation	**183,981**	**4.34**	178,115	4.42	5,866
Wholesale and retail	**37,701**	**0.88**	32,038	0.79	5,663
Finance and insurance	**2,829,475**	**66.75**	3,175,974	78.95	(346,498)
Construction and real estate	**35,283**	**0.83**	34,388	0.85	894
Services and goods rental/leasing	**194,501**	**4.58**	35,500	0.88	159,001
Central and local governments	**601,147**	**14.18**	284,445	7.07	316,702
Others	**184,820**	**4.36**	149,420	3.71	35,400
Total	**¥4,238,772**	**100.00**	¥4,022,547	100.00	¥ 216,224

Disclosures Under the Financial Reconstruction Law

Millions of yen

	As of March 31, 2011	As of March 31, 2010	Y-o-Y change
Loans to borrowers classified as bankrupt or quasi-bankrupt	**—**	—	—
Loans to borrowers classified as doubtful	**¥ 2**	—	¥ 2
Loans requiring close monitoring	**—**	—	—
Subtotal (A)	**2**	—	2
Loans to borrowers classified as normal	**4,357,795**	¥4,030,715	327,079
Total (B)	**¥4,357,797**	¥4,030,715	¥327,082
Non-performing loan ratio (A) / (B) (%)	**0.00**	—	0.00

Deferred Tax Assets/Liabilities

Net deferred tax liabilities as of March 31, 2011 were ¥162.4 billion, an increase of ¥17.2 billion from net deferred tax liabilities of ¥145.2 billion as of March 31, 2010. This change was attributable to a decrease in accrued interest on deposits in deferred tax assets and an increase in net unrealized gains on available-for-sale securities in deferred tax liabilities.

Major Components of Deferred Tax Assets and Liabilities

Millions of yen

	As of March 31, 2011	As of March 31, 2010	Y-o-Y change
Deferred Tax Assets:	**¥ 120,340**	¥ 126,331	¥ (5,990)
Reserve for possible loan losses	**473**	633	(159)
Reserve for employees' retirement benefits	**54,327**	52,495	1,831
Depreciation	**13,087**	17,457	(4,370)
Accrued interest on deposits	**17,266**	27,825	(10,559)
Impairment losses of money held in trust	**14,041**	11,235	2,805
Others	**21,144**	16,683	4,460
Deferred tax liabilities:	**(282,774)**	(271,539)	(11,235)
Net unrealized gains on available-for-sale securities	**(269,097)**	(262,472)	(6,625)
Others	**(13,677)**	(9,067)	(4,609)
Net deferred tax assets (liabilities)	**¥(162,434)**	¥(145,208)	¥(17,225)

LIABILITIES

	Millions of yen		
	As of March 31, 2011	As of March 31, 2010	Y-o-Y change
Deposits	¥174,653,220	¥175,797,715	¥(1,144,495)
Payables under securities lending transactions	8,083,860	6,236,017	1,847,843
Borrowed money	—	2,000,000	(2,000,000)
Foreign exchanges	178	116	61
Other liabilities	1,201,573	1,523,721	(322,148)
Reserve for employees' bonuses	4,797	6,815	(2,017)
Reserve for employees' retirement benefits	133,517	129,015	4,502
Reserve for directors' retirement benefits	133	194	(60)
Deferred tax liabilities	162,434	145,208	17,225
Acceptances and guarantees	110,000	—	110,000
Total liabilities	¥184,349,715	¥185,838,804	¥(1,489,088)

Total Liabilities

Total liabilities were ¥184,349.7 billion, a decline of ¥1,489.0 billion, or 0.80%, from ¥185,838.8 billion as of March 31, 2010. The main reason for this decrease was the full repayment of all borrowed money. As of March 31, 2011, the balance of borrowed money was reduced to zero.

Deposits

The balance of deposits was ¥174,653.2 billion, a decline of ¥1,144.4 billion, or 0.65%, from ¥175,797.7 billion as of March 31, 2010.

Changes in Liquid Deposits and Fixed-Term Deposits

Liquid deposits were ¥59,846.9 billion as of March 31, 2011, an increase of ¥2,733.0 billion, or 4.78%, from ¥57,113.8 billion as of March 31, 2010. Fixed-term deposits were ¥114,504.5 billion, a decrease of ¥3,876.7 billion, or 3.27%, from ¥118,381.2 billion.

Balances by Type of Deposit

	Millions of yen				
	As of March 31, 2011		As of March 31, 2010		Y-o-Y change
	Amount	(%)	Amount	(%)	Amount
Liquid deposits:	¥ 59,846,906	34.26	¥ 57,113,869	32.48	¥ 2,733,037
Transfer deposits	8,714,719	4.98	7,597,731	4.32	1,116,988
Ordinary deposits, etc.	50,709,948	29.03	49,087,540	27.92	1,622,408
Savings deposits	422,238	0.24	428,597	0.24	(6,359)
Fixed-term deposits:	114,504,523	65.56	118,381,289	67.33	(3,876,766)
Time deposits, etc.	22,005,855	12.59	27,475,685	15.62	(5,469,830)
TEIGAKU deposits, etc.	92,494,319	52.95	90,891,424	51.70	1,602,895
Other deposits	301,789	0.17	302,556	0.17	(766)
Subtotal	174,653,220	100.00	175,797,715	100.00	(1,144,495)
Negotiable certificates of deposit	—	—	—	—	—
Total	¥174,653,220	100.00	¥175,797,715	100.00	¥(1,144,495)

Reserve for Employees' Retirement Benefits

The reserve for employees' retirement benefits was ¥133.5 billion, an increase of ¥4.5 billion from ¥129.0 billion as of March 31, 2010. We have adopted a lump-sum retirement benefit plan.

Employees' Retirement Benefit Obligation

	Millions of yen	
	As of March 31, 2011	As of March 31, 2010
Projected benefit obligation	**¥(127,408)**	¥(126,275)
Unfunded projected benefit obligation	**(127,408)**	(126,275)
Unrecognized net actuarial losses	**(6,108)**	(2,740)
Net amount recorded on the balance sheets	**(133,517)**	(129,015)
Reserve for employees' retirement benefits	**¥(133,517)**	¥(129,015)

Breakdown of Total Retirement Benefit Costs

	Millions of yen	
	Fiscal 2011	Fiscal 2010
Service cost	**¥6,259**	¥5,965
Interest cost on projected benefit obligation	**2,184**	2,128
Amortization of unrecognized net actuarial losses	**(308)**	(288)
Total retirement benefit costs	**¥8,135**	¥7,805

NET ASSETS

	Millions of yen		
	As of March 31, 2011	As of March 31, 2010	Y-o-Y change
Common stock	**¥3,500,000**	¥3,500,000	—
Capital surplus	**4,296,285**	4,296,285	—
Retained earnings	**894,828**	652,598	¥242,229
Total shareholders' equity	**8,691,114**	8,448,884	242,229
Net unrealized gains (losses) on available-for-sale securities	**392,251**	382,593	9,657
Deferred gains (losses) on hedges	**10,269**	8,069	2,199
Total valuation and translation adjustments	**402,520**	390,663	11,857
Total net assets	**¥9,093,634**	¥8,839,547	¥254,087

Net assets as of March 31, 2011 were ¥9,093.6 billion, an increase of ¥254.0 billion, or 2.87%, from ¥8,839.5 billion as of March 31, 2010.

Shareholders' equity was ¥8,691.1 billion, an increase of ¥242.2 billion, or 2.86%, from March 31, 2010, due to an increase in retained earnings. We posted ¥392.2 billion of net unrealized gains on available-for-sale securities in fiscal 2011, an increase of ¥9.6 billion. In addition, we use the deferred hedge method in hedging interest rate risk and foreign currency risk, and in fiscal 2011 we booked ¥10.2 billion of deferred gains on hedges.

Capital Resource Management

Capital Adequacy Ratio

As of March 31, 2011, net assets were ¥9,093.6 billion.

As determined under the Banking Law of Japan, our capital adequacy ratio (non-consolidated, domestic standard) as of March 31, 2011 was 74.82%, a decrease of 16.79 percentage points from March 31, 2010. 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.

Total risk-based capital, the numerator of the ratio, was ¥8,612.9 billion, an increase of ¥237.6 billion from ¥8,375.2 billion as of March 31, 2010. This increase was mainly attributable to growth in retained earnings.

Risk-weighted assets, which correspond to the denominator of the ratio, amounted to ¥11,510.9 billion, representing an increase of ¥2,369.5 billion from ¥9,141.3 billion as of March 31, 2010. The main reason for the decline in the capital adequacy ratio was an increase in our credit risk-weighted assets.

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

	Millions of yen		
	As of March 31, 2011	As of March 31, 2010	Y-o-Y change
Tier I capital (A)	**¥ 8,612,031**	¥8,374,784	¥ 237,246
Tier II capital (B)	**885**	494	390
Deductions (C)	**—**	—	—
Total risk-based capital (A) + (B) – (C) = (D)	**8,612,916**	8,375,279	237,637
Risk-weighted assets (E)	**11,510,909**	9,141,313	2,369,595
On-balance-sheet items	**8,010,265**	5,806,212	2,204,053
Off-balance-sheet items	**197,624**	20,986	176,638
Operational risk equivalent / 8%	**3,303,018**	3,314,114	(11,096)
Capital adequacy ratio (D) / (E) (%)	**74.82**	91.62	(16.79)
Tier I capital ratio (A) / (E) (%)	**74.81**	91.61	(16.79)

Dividends

We increased the total cash dividend paid for fiscal 2011 to ¥79.0 billion. The per-share cash dividend was ¥527.22 and the dividend payout ratio was 25.00%.

Off-Balance Sheet Arrangements & Contractual Cash Obligations

Contractual cash obligations in fiscal 2011 were as follows:

1. Assets pledged as collateral and their relevant liabilities as of March 31, 2011 were as follows:

	Millions of yen
Assets pledged as collateral:	
Securities	**¥51,404,705**
Liabilities corresponding to assets pledged as collateral:	
Deposits	**45,110,398**
Payables under securities lending transactions	**8,083,860**
Acceptances and guarantees	**¥ 110,000**

Additionally, securities as of March 31, 2011 amounting to ¥1,544,024 million were pledged as collateral for transactions such as Bank of Japan overdrafts, exchange settlement transactions, or substitute securities for derivatives.

As of March 31, 2011, guarantee deposits of ¥1,313 million are included in "Other assets" in the accompanying balance sheet.

2. Contracts of overdraft facilities and 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, 2011 amounted to ¥10,235 million. Of this amount, ¥7,500 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.

3. We have 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, 2011 are as follows:

	Millions of yen
One year or less	**¥29,530**
Over one year	**¥20,640**

Risk Management

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

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

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

Risk 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.

Management of operational risk, which is the main risk from the perspective of appropriate operations, is overseen by the Operational Risk Management Office.

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

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

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

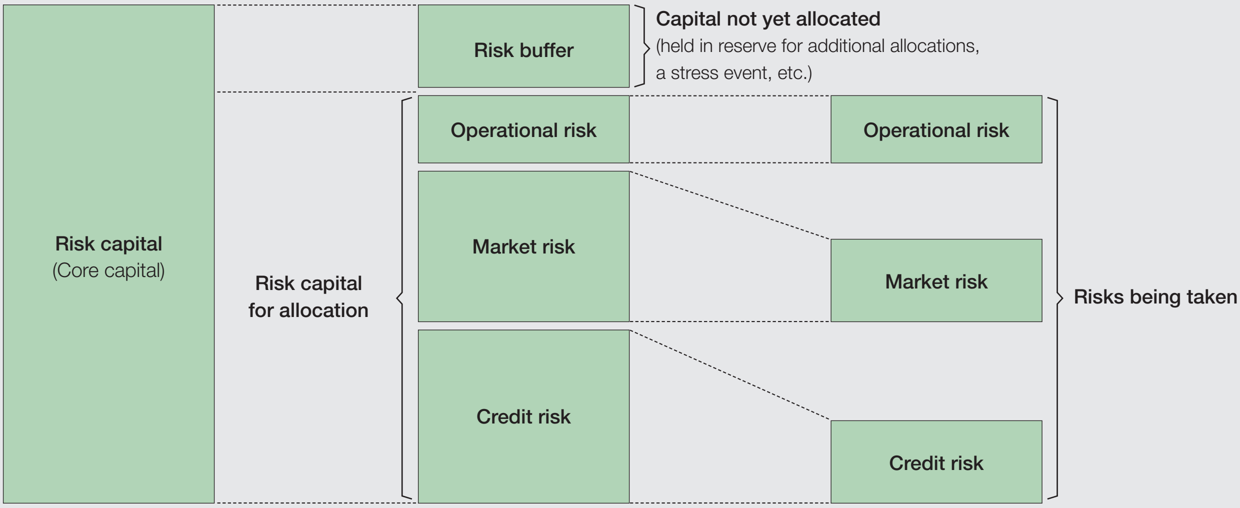
We broadly classify and define risks into five categories: market, market liquidity, funding liquidity, credit, and operational risks. We manage these risks using both quantitative and qualitative approaches.

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 System

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 testing to account for extreme market fluctuations that might exceed our statistical estimates.

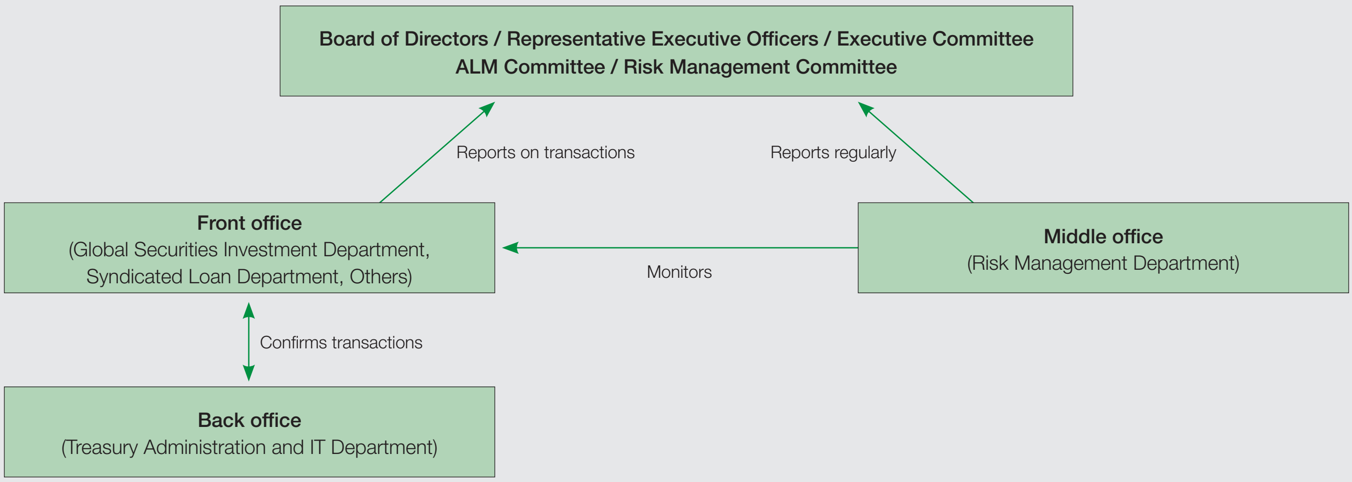
We have established a system for closely monitoring interest rate risk, in recognition of the importance of interest rates on our business. As part of this system, we perform simulations to gauge the effect of interest changes on our earnings.

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

Matters concerning the establishment and operation of a market risk management system and implementation of market risk management are decided through discussions in the Risk Management Committee, the Asset Liability Management (ALM) Committee and the Executive Committee.

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 2011, VaR of our banking operations was as follows:

VaR (From April 1, 2010 to March 31, 2011)

	Billions of yen			
	Year-end	Maximum	Minimum	Average
Fiscal 2011	**¥1,606.6**	**¥1,849.6**	**¥1,385.6**	**¥1,605.2**

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 testing to measure our potential losses in the event of market fluctuations exceeding the limits assumed in the model. The results of the stress testing are reported to the Executive Committee.

In our stress testing, 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 System

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 testing to consider the possibility of credit risk due to large-scale economic fluctuations outside those in our VaR model.

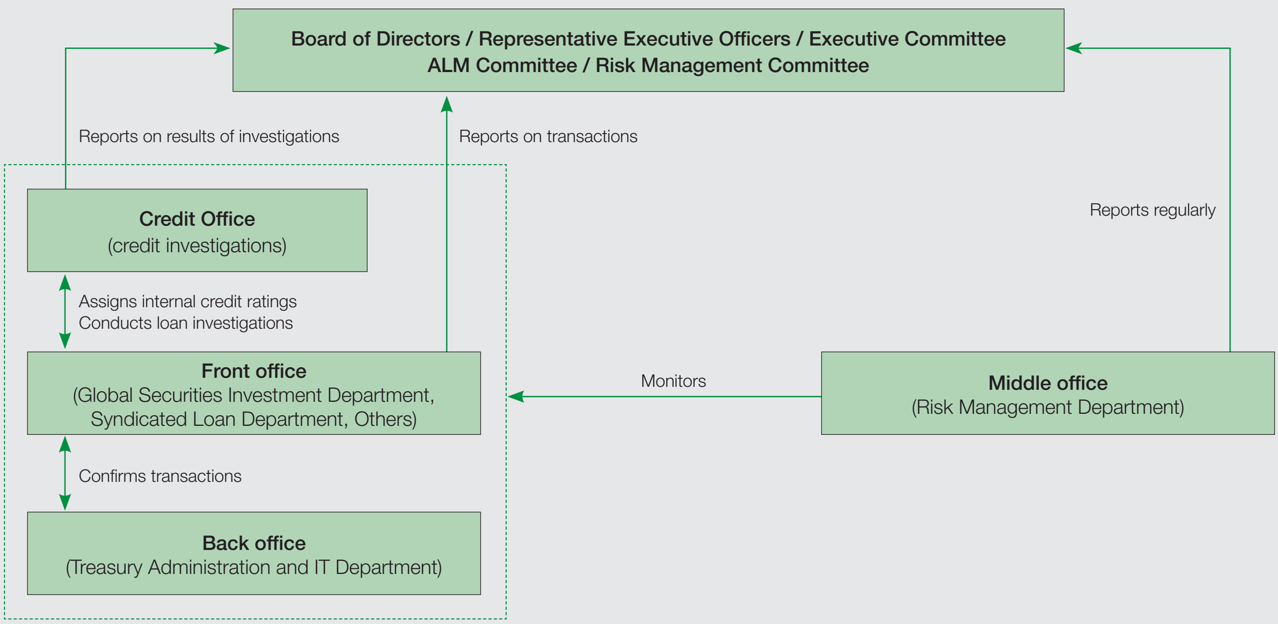
In order to control credit concentration risk, we have set credit limits for individual companies and corporate groups. Looking ahead, we plan to enhance our credit portfolio management as we expand our borrower base.

The Risk Management Department provides a system of cross checks and balances in credit risk management, as a “middle office” that is independent from our front and back offices. The Risk Management Department oversees our internal credit rating system, self-assessments of loans, and other credit risk management activities.

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.

Matters concerning the establishment and operation of a credit risk management system and implementation of credit risk management are decided through discussions in the Risk Management Committee, the Asset Liability Management (ALM) Committee and the Executive Committee.

Credit Risk Management System

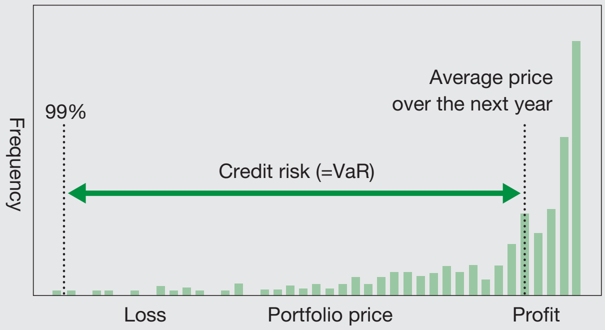


2. Measuring Credit Risk

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) Image



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 testing 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 testing are reported to the Executive Committee.

In conducting stress testing, 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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Assets:			
Cash and due from banks (Notes 18 and 21):	**¥ 5,050,921**	¥ 4,440,804	**$ 60,744,695**
Cash	**158,149**	117,546	**1,901,979**
Due from banks	**4,892,771**	4,323,257	**58,842,715**
Call loans (Note 21)	**429,663**	261,649	**5,167,333**
Receivables under securities borrowing transactions (Note 21)	**4,483,396**	2,495,622	**53,919,375**
Monetary claims bought (Note 21)	**133,214**	124,082	**1,602,103**
Trading account securities (Notes 21 and 22):	**282**	196	**3,402**
Trading Japanese government bonds	**282**	196	**3,402**
Money held in trust (Notes 21 and 22)	**1,806,768**	1,015,355	**21,729,020**
Securities (Notes 8, 20, 21, 22 and 23):	**175,026,411**	178,230,687	**2,104,947,824**
Japanese Government Bonds	**146,460,963**	155,891,563	**1,761,406,651**
Japanese local government bonds	**5,658,837**	5,289,202	**68,055,767**
Japanese corporate bonds	**12,907,752**	12,281,230	**155,234,545**
Other securities	**9,998,859**	4,768,691	**120,250,860**
Loans (Notes 21 and 24):	**4,238,772**	4,022,547	**50,977,418**
Loans on deeds	**4,015,810**	3,783,806	**48,295,980**
Overdrafts	**222,961**	238,741	**2,681,438**
Foreign exchanges (Note 3)	**4,735**	5,860	**56,952**
Other assets (Notes 4, 8 and 21)	**1,954,512**	3,902,137	**23,505,865**
Tangible fixed assets (Note 5)	**151,255**	142,032	**1,819,069**
Intangible fixed assets (Note 6)	**55,157**	38,931	**663,353**
Customers' liabilities for acceptances and guarantees (Note 7)	**110,000**	—	**1,322,910**
Reserve for possible loan losses (Note 21)	**(1,742)**	(1,556)	**(20,953)**
Total assets	**¥193,443,350**	¥194,678,352	**$2,326,438,373**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Liabilities:			
Deposits (Notes 8, 9 and 21)	**¥174,653,220**	¥175,797,715	**$2,100,459,654**
Payables under securities lending transactions (Notes 8 and 21)	**8,083,860**	6,236,017	**97,220,214**
Borrowed money (Notes 10 and 21)	**—**	2,000,000	**—**
Foreign exchanges (Note 3)	**178**	116	**2,143**
Other liabilities (Note 11)	**1,201,573**	1,523,721	**14,450,669**
Contingent liabilities (Note 12)			
Reserve for employees' bonuses	**4,797**	6,815	**57,701**
Reserve for employees' retirement benefits (Note 25)	**133,517**	129,015	**1,605,742**
Reserve for directors' retirement benefits	**133**	194	**1,606**
Deferred tax liabilities (Note 26)	**162,434**	145,208	**1,953,508**
Acceptances and guarantees (Notes 7 and 8)	**110,000**	—	**1,322,910**
Total liabilities	**184,349,715**	185,838,804	**2,217,074,152**
Net assets (Note 17)**:**			
Common stock	**3,500,000**	3,500,000	**42,092,603**
Capital surplus	**4,296,285**	4,296,285	**51,669,103**
Retained earnings	**894,828**	652,598	**10,761,613**
Total shareholder's equity	**8,691,114**	8,448,884	**104,523,320**
Net unrealized gains (losses) on available-for-sale securities (Note 22)	**392,251**	382,593	**4,717,393**
Deferred gains (losses) on hedges	**10,269**	8,069	**123,505**
Total valuation and translation adjustments	**402,520**	390,663	**4,840,899**
Total net assets	**9,093,634**	8,839,547	**109,364,220**
Total liabilities and net assets	**¥193,443,350**	¥194,678,352	**$2,326,438,373**

See notes to financial statements.

Statements of Income

For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Revenues:			
Interest income:	**¥2,044,121**	¥2,066,088	**$24,583,539**
Interest on loans	**49,471**	47,819	**594,965**
Interest and dividends on securities	**1,972,154**	1,920,979	**23,718,035**
Interest on call loans	**256**	82	**3,084**
Interest on receivables under securities borrowing transactions	**4,923**	4,338	**59,218**
Interest on deposits with banks	**1,528**	5,237	**18,384**
Other interest income	**15,786**	87,630	**189,851**
Fees and commissions:	**109,694**	108,493	**1,319,232**
Fees and commissions on domestic and foreign exchanges	**64,194**	64,690	**772,027**
Other fees and commissions	**45,500**	43,803	**547,205**
Other operating income (Note 13)	**24,134**	13,058	**290,255**
Other income (Note 14)	**27,431**	20,342	**329,902**
Total revenues	**2,205,381**	2,207,983	**26,522,930**
Expenses:			
Interest expenses:	**360,685**	447,718	**4,337,764**
Interest on deposits	**305,873**	343,368	**3,678,576**
Interest on payables under securities lending transactions	**9,193**	8,357	**110,570**
Interest on borrowings	**14,018**	86,161	**168,593**
Interest on interest rate swaps	**31,179**	9,539	**374,978**
Other interest expenses	**419**	290	**5,045**
Fees and commissions:	**21,703**	22,331	**261,013**
Fees and commissions on domestic and foreign exchanges	**1,929**	1,417	**23,209**
Other fees and commissions	**19,773**	20,914	**237,803**
Other operating expenses (Note 15)	**79,648**	10,079	**957,892**
General and administrative expenses	**1,209,939**	1,221,076	**14,551,289**
Other expenses (Note 16)	**8,193**	13,328	**98,534**
Total expenses	**1,680,170**	1,714,532	**20,206,494**
Income before income taxes	**525,211**	493,450	**6,316,435**
Income taxes (Note 26)**:**			
Current	**199,790**	198,698	**2,402,770**
Deferred	**9,091**	(2,005)	**109,337**
Total income taxes	**208,881**	196,692	**2,512,107**
Net income	**¥ 316,329**	¥ 296,758	**$ 3,804,328**

	Yen		U.S. dollars (Note 1)
	2011	2010	**2011**
Net income per share (Note 30)	**¥2,108.86**	¥1,978.38	**$25.36**

See notes to financial statements.

Statements of Changes in Net Assets

For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Shareholders' Equity:			
Common stock:			
Balance at beginning of year	**¥3,500,000**	¥3,500,000	**$ 42,092,603**
Balance at end of year	**3,500,000**	3,500,000	**42,092,603**
Capital surplus:			
Balance at beginning of year	**4,296,285**	4,296,285	**51,669,103**
Balance at end of year	**4,296,285**	4,296,285	**51,669,103**
Retained earnings:			
Balance at beginning of year	**652,598**	413,140	**7,848,446**
Changes during the fiscal year:			
Cash dividends	**(74,100)**	(57,300)	**(891,160)**
Net income	**316,329**	296,758	**3,804,328**
Total changes during the fiscal year	**242,229**	239,458	**2,913,167**
Balance at end of year	**894,828**	652,598	**10,761,613**
Total shareholder's equity:			
Balance at beginning of year	**8,448,884**	8,209,426	**101,610,153**
Changes during the fiscal year:			
Cash dividends	**(74,100)**	(57,300)	**(891,160)**
Net income	**316,329**	296,758	**3,804,328**
Total changes during the fiscal year	**242,229**	239,458	**2,913,167**
Balance at end of year	**8,691,114**	8,448,884	**104,523,320**
Valuation and Translation Adjustments:			
Net unrealized gains (losses) on available-for-sale securities:			
Balance at beginning of year	**382,593**	(16,877)	**4,601,246**
Changes during the fiscal year:			
Net changes in items other than shareholder's equity	**9,657**	399,470	**116,147**
Total changes during the fiscal year	**9,657**	399,470	**116,147**
Balance at end of year	**392,251**	382,593	**4,717,393**
Deferred gains (losses) on hedges:			
Balance at beginning of year	**8,069**	(12,974)	**97,053**
Changes during the fiscal year:			
Net changes in items other than shareholder's equity	**2,199**	21,044	**26,452**
Total changes during the fiscal year	**2,199**	21,044	**26,452**
Balance at end of year	**10,269**	8,069	**123,505**
Total valuation and translation adjustments:			
Balance at beginning of year	**390,663**	(29,851)	**4,698,299**
Changes during the fiscal year:			
Net changes in items other than shareholder's equity	**11,857**	420,515	**142,599**
Total changes during the fiscal year	**11,857**	420,515	**142,599**
Balance at end of year	**402,520**	390,663	**4,840,899**
Total Net Assets:			
Balance at beginning of year	**8,839,547**	8,179,574	**106,308,453**
Changes during the fiscal year:			
Cash dividends	**(74,100)**	(57,300)	**(891,160)**
Net income	**316,329**	296,758	**3,804,328**
Net changes in items other than shareholder's equity	**11,857**	420,515	**142,599**
Total changes during the fiscal year	**254,087**	659,973	**3,055,767**
Balance at end of year	**¥9,093,634**	¥8,839,547	**$109,364,220**

See notes to financial statements.

Statements of Cash Flows

For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Cash flows from operating activities:			
Income before income taxes	¥ 525,211	¥ 493,450	$ 6,316,435
Adjustments for:			
Depreciation and amortization	34,959	45,083	420,437
Losses on impairment of fixed assets	14	432	173
Net change in reserve for possible loan losses	186	468	2,237
Net change in reserve for employees' bonuses	(2,017)	273	(24,265)
Net change in reserve for employees' retirement benefits	4,502	1,430	54,146
Net change in reserve for directors' retirement benefits	(60)	53	(729)
Interest income	(2,044,121)	(2,066,088)	(24,583,539)
Interest expenses	360,685	447,718	4,337,764
Losses (gains) related to securities	55,256	(11,629)	664,537
Losses (gains) on money held in trust—net	(13,750)	(2,377)	(165,365)
Foreign exchange losses (gains)—net	(1,949)	(1,429)	(23,443)
Losses on sales and disposals of fixed assets—net	870	403	10,468
Net change in loans	(217,672)	8,521	(2,617,831)
Net change in deposits	(1,144,495)	(1,682,125)	(13,764,224)
Proceeds from maturity of deposits (to the fiscal loan fund)	2,000,000	6,700,000	24,052,916
Net change in borrowed money	(2,000,000)	(6,700,000)	(24,052,916)
Net change in negotiable certificates of deposit	35,000	2,220,000	420,926
Net change in call loans	(176,976)	(267,331)	(2,128,405)
Net change in receivables under securities borrowing transactions	(1,987,773)	(1,769,836)	(23,905,871)
Net change in payables under securities lending transactions	1,847,843	5,431,246	22,223,014
Net change in foreign exchange assets	1,125	4,011	13,531
Net change in foreign exchange liabilities	61	14	741
Interest received	2,232,745	2,227,583	26,852,026
Interest paid	(431,068)	(384,429)	(5,184,224)
Other—net	(38,698)	(23,129)	(465,409)
Subtotal	(960,122)	4,672,312	(11,546,870)
Income taxes paid	(211,355)	(186,967)	(2,541,857)
Net cash provided by (used in) operating activities	(1,171,477)	4,485,345	(14,088,727)
Cash flows from investing activities:			
Purchases of securities	(48,460,223)	(69,782,752)	(582,804,850)
Proceeds from sales of securities	8,245,344	9,695,554	99,162,290
Proceeds from maturity of securities	42,873,958	55,875,426	515,621,874
Investment in money held in trust	(1,110,000)	(50,000)	(13,349,368)
Proceeds from disposition of money held in trust	397,641	526,655	4,782,212
Purchases of tangible fixed assets	(32,134)	(8,015)	(386,468)
Proceeds from sales of tangible fixed assets	90	86	1,088
Purchases of intangible fixed assets	(24,592)	(23,433)	(295,762)
Other—net	54	(340)	660
Net cash provided by (used in) investing activities	1,890,138	(3,766,818)	22,731,676
Cash flows from financing activities:			
Cash dividends paid	(74,100)	(57,300)	(891,160)
Net cash used in financing activities	(74,100)	(57,300)	(891,160)
Effect of exchange rate changes on cash and cash equivalents	555	462	6,686
Net increase in cash and cash equivalents	645,117	661,688	7,758,473
Cash and cash equivalents at beginning of year	3,360,804	2,699,116	40,418,573
Cash and cash equivalents at end of year (Note 18)	¥ 4,005,921	¥ 3,360,804	$ 48,177,047

See notes to financial statements.

Notes to Financial Statements

Years ended March 31, 2011 and 2010

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 be consolidated.

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 ¥83.15 to US$1.00, the approximate rate of exchange as of March 31, 2011. 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) determined by 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 invested in money held in trust are stated at the fair value. The balance sheet amounts as of March 31, 2011 and March 31, 2010 are stated respectively at the average market price of the final month (March) of the fiscal years ended March 31, 2011 and 2010 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 prescribed standards for write-off and reserve 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 from 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 stated at fair value. Changes in the fair value of 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. As for portfolio hedges on groups of large-volume, small-value monetary debts, the Bank applies the deferred hedge accounting method as stipulated in "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24).

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

The Bank considers the individual hedges are deemed to be highly effective because the Bank designates the hedges in such a way that the major conditions between 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 applies the deferred hedge accounting method, the fair value hedge accounting method, and the accounting method translating foreign currency receivables at forward rates to reduce its exposure to exchange rate fluctuations on the portion of the net unrealized gains/losses on available-for-sale securities exposed to the risks of foreign exchange 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. **Adoption of the Accounting Standard for Asset Retirement Obligations—**Effective from the fiscal year ended March 31, 2011, the Bank has adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). The effects of adoption of these standard and guidance on income before income taxes were immaterial.

n. **Additional Information—**Disclosure of fair values of financial instruments
Effective from the fiscal year ended March 31, 2010, the Bank adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (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, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Assets:			
Due from foreign banks	**¥4,717**	¥5,795	**$56,740**
Foreign bills bought and foreign exchanges purchased	**17**	64	**211**
Total	**¥4,735**	¥5,860	**$56,952**
Liabilities:			
Foreign bills sold	**¥ 61**	¥ 47	**$ 735**
Foreign bills payable	**117**	68	**1,408**
Total	**¥ 178**	¥ 116	**$ 2,143**

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4. Other Assets

Other assets as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Domestic exchange settlement accounts—debit	**¥ 12,339**	¥ 12,637	**$ 148,398**
Prepaid expenses	**17,736**	6,684	**213,301**
Accrued income	**366,138**	340,814	**4,403,350**
Derivatives other than trading	**53,778**	17,476	**646,762**
Deposits (to the fiscal loan fund)	**—**	2,000,000	**—**
Other	**1,504,520**	1,524,524	**18,094,051**
Total	**¥1,954,512**	¥3,902,137	**$23,505,865**

5. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Land	**¥ 27,106**	¥ 27,121	**$ 325,999**
Buildings	**91,502**	87,783	**1,100,456**
Construction in progress	**7,574**	159	**91,098**
Other	**146,273**	128,185	**1,759,151**
Subtotal	**272,458**	243,249	**3,276,705**
Accumulated depreciation	**121,202**	101,217	**1,457,635**
Total	**¥151,255**	¥142,032	**$1,819,069**

6. Intangible Fixed Asset

Intangible fixed assets as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Software	**¥ 81,471**	¥75,364	**$ 979,812**
Other	**32,555**	13,589	**391,521**
Subtotal	**114,026**	88,953	**1,371,333**
Accumulated depreciation	**58,868**	50,021	**707,980**
Total	**¥ 55,157**	¥38,931	**$ 663,353**

7. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees". As a contra account, "Customers' liabilities for acceptances and guarantees" is shown on the assets side of the balance sheets, representing the Bank's right of indemnity from the applicants.

8. Assets Pledged as Collateral

Assets pledged as collateral and their relevant liabilities as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Assets pledged as collateral:			
Securities	**¥51,404,705**	¥65,228,776	**$618,216,545**
Liabilities corresponding to assets pledged as collateral:			
Deposits	**45,110,398**	61,428,693	**542,518,316**
Payables under securities lending transactions	**8,083,860**	6,236,017	**97,220,214**
Acceptances and guarantees	**110,000**	—	**1,322,910**

Additionally, securities as of March 31, 2011 and 2010 amounting to ¥1,544,024 million ($18,569,140 thousand) and ¥2,011,461 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, 2011 and 2010, guarantee deposits amounting to ¥1,313 million ($15,794 thousand) and ¥1,206 million, respectively, are included in “Other assets” in the accompanying balance sheets.

9. Deposits

Deposits as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Transfer deposits	**¥ 8,714,719**	¥ 7,597,731	**$ 104,807,212**
Ordinary deposits	**44,693,518**	43,959,851	**537,504,733**
Savings deposits	**422,238**	428,597	**5,078,031**
Time deposits	**21,911,332**	26,847,754	**263,515,718**
Special deposits*	**45,095,189**	61,413,288	**542,335,410**
TEIGAKU deposits**	**53,514,432**	35,247,935	**643,589,083**
Other deposits	**301,789**	302,556	**3,629,464**
Total	**¥174,653,220**	¥175,797,715	**$2,100,459,654**

* “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.

10. Borrowed Money

Borrowed money as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Borrowings from the Ministry of Finance due November 2010	**¥—**	¥2,000,000	**$—**
Total	**¥—**	¥2,000,000	**$—**

Annual maturities of borrowed money as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
One year or less	**¥—**	¥2,000,000	**$—**
Total	**¥—**	¥2,000,000	**$—**

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11. Other Liabilities

Other liabilities as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Domestic exchange settlement accounts—credit	¥ 18,417	¥ 19,592	$ 221,496
Income taxes payable	33,875	35,829	407,401
Accrued expenses	794,763	859,024	9,558,190
Unearned income	60	49	724
Derivatives other than trading	54,116	17,530	650,826
Asset retirement obligations	212	—	2,552
Other	300,128	591,695	3,609,477
Total	¥1,201,573	¥1,523,721	$14,450,669

12. 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, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
One year or less	¥29,530	¥35,463	$355,151
Over one year	20,640	49,130	248,229
Total	¥50,171	¥84,594	$603,381

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.

13. Other Operating Income

Other operating income for the fiscal years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Gains on sales of bonds including Japanese Government Bonds	¥24,124	¥13,003	$290,135
Gains on redemption of bonds including Japanese Government Bonds	—	55	—
Income from derivatives other than trading	10	—	120
Other	—	0	—
Total	¥24,134	¥13,058	$290,255

14. Other Income

Other income for the fiscal years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Gains on money held in trusts	¥18,513	¥12,578	$222,654
Gains on sales and disposals of fixed assets	20	6	242
Recoveries of written-off claims	17	34	206
Other	8,880	7,722	106,799
Total	¥27,431	¥20,342	$329,902

15. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Losses on foreign exchanges	¥ 267	¥ 8,650	$ 3,219
Losses on sales of bonds including Japanese Government Bonds	79,381	1,429	954,673
Total	¥79,648	¥10,079	$957,892

16. Other Expenses

Other expenses for the fiscal years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Provision for reserve for possible loan losses	¥ 424	¥ 484	$ 5,109
Losses on money held in trust	4,763	10,200	57,288
Losses on sales and disposals of fixed assets	890	409	10,710
Losses on impairment of fixed assets	14	432	173
Losses on disaster	470	—	5,661
Other	1,628	1,800	19,590
Total	¥8,193	¥13,328	$98,534

17. 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 Banking Act of Japan provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal retained earnings until the total amount of legal retained earnings and additional paid-in capital equals 100% of common share. Legal retained earnings and additional paid-in capital could be used to eliminate or reduce a deficit, or could be capitalized generally require a resolution of the shareholders' meeting. All legal retained earnings and additional paid-in capital, which are potentially available for dividends. The Corporate Law of Japan permits Japanese companies, upon approval of the board of directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within shareholders' accounts.

The Corporate Law of Japan allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon approval of the board of directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends 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, 2011 and 2010 were as follows:

	Thousand shares				
	Authorized	Number of Shares Outstanding at the End of Previous Period	Increase	Decrease	Number of Shares Outstanding at the End of Current Period
March 31, 2011					
Common stock	600,000	150,000	—	—	150,000
March 31, 2010					
Common stock	600,000	150,000	—	—	150,000

Dividends distributed during the fiscal year ended March 31, 2011:

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	$891,160	¥494	$5.94	March 31, 2010	May 14, 2010

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

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

Of dividends whose record date was included in the fiscal years ended March 31, 2011 and 2010, those whose effective date occurs after the fiscal year's closing

		2011					
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, 2011	Common stock	**¥79,083**	**$951,088**	**¥527.22**	**$6.34**	**March 31, 2011**	**May 23, 2011**

		2010			
Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 13, 2010	Common stock	¥74,100	¥494	March 31, 2010	May 14, 2010

18. 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, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and due from banks	**¥ 5,050,921**	¥ 4,440,804	**$ 60,744,695**
Due from banks, excluding negotiable certificates of deposit in other banks	**(1,045,000)**	(1,080,000)	**(12,567,648)**
Cash and cash equivalents	**¥ 4,005,921**	¥ 3,360,804	**$ 48,177,047**

19. Leases

Operating lease transactions:

Future lease payments on noncancelable operating leases as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Due within one year	**¥488**	¥ 490	**$ 5,872**
Due over one year	**453**	941	**5,453**
Total	**¥941**	¥1,431	**$11,325**

20. Securities

As of the end of the fiscal year ended March 31, 2011 and 2010, the Bank had the rights to sell or pledge without restriction for securities held amounting to ¥4,507,695 million ($54,211,616 thousand) and ¥2,511,023 million, respectively, among the securities borrowed under the contract of loan for consumption (securities borrowing transactions) and those borrowed with cash collateral under securities lending agreements.

21. 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, domestic and 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, currency swaps and others.

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 amounts of these investments are significantly less than those of 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 instruments 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 instruments, the Bank utilizes currency swaps and others as hedging instruments to avoid the risk of foreign exchange fluctuations in connection with the translation of foreign currency denominated 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. To evaluate the effectiveness of portfolio hedges on large-volume groups, small-value monetary debts, the Bank designates deposits as hedged items and interest rate swaps and others as hedging instruments and assesses to offset changes in the fair value of hedge items by grouping them into their maturities.

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

The Bank applies the deferred hedge accounting method, the fair value hedge accounting method, and the accounting method translating foreign currency receivables at forward rates to reduce its exposure to exchange rate fluctuations on available-for-sale securities denominated in foreign currency. The Bank considers its hedges to be highly effective because the Bank designates the hedges in such a way that the major conditions between the hedged items and the hedging instruments are almost the same.

(3) Risk management structure for financial instruments

a) Basic policy

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

b) Credit risk

The 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 sets appropriate risk limits to reflect risk capital allocations and then ensures the amounts of credit risk do not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

In order to control credit concentration, the 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 the amounts of market risk do not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

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

The Bank measures and manages market risk using the Value at Risk (VaR) method. For its market risk measurement model, the Bank uses the historical simulation method (holding period of 240 operating days (one year); confidence interval of 99%; observation period of 1,200 days (five years)). As of March 31, 2011, the Bank calculates its market risk volume (estimated potential losses from such risk) at ¥1,606,644 million ($19,322,248 thousand). VaR provides the major market risk exposure which is statistically calculated under certain probability based on historical market fluctuations. Thus, it may not capture fully the risk stemming from extraordinary changes in the market environment that are normally considered improbable.

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 the responsibilities of executing transactions, evaluating the effectiveness of hedges and operational management, and by establishing an internal control structure, based on internal guidelines related to derivatives.

d) Funding liquidity risk

The 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, 2011 and 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		
	2011		
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 5,050,921	¥ 5,050,921	—
(2) Call loans	429,663	429,663	—
(3) Receivables under securities borrowing transactions	4,483,396	4,483,396	—
(4) Monetary claims bought	133,214	133,214	—
(5) Trading account securities:			
Securities classified as trading purposes	282	282	—
(6) Money held in trust	1,806,768	1,806,768	—
(7) Securities:			
Held-to-maturity securities	116,861,747	119,856,793	¥2,995,045
Available-for-sale securities	58,163,763	58,163,763	—
(8) Loans:	4,238,772		
Reserve for possible loan losses**	(206)		
	4,238,565	4,308,118	69,552
Total assets	¥191,168,324	¥194,232,922	¥3,064,598
(1) Deposits	¥174,653,220	¥175,215,314	¥ 562,094
(2) Payables under securities lending transactions	8,083,860	8,083,860	—
Total liabilities	¥182,737,081	¥183,299,175	¥ 562,094
Derivative transactions***:			
For which hedge accounting is not applied	¥ 114	¥ 114	¥ —
For which hedge accounting is applied	(452)	(452)	—
Total derivative transactions	¥ (337)	¥ (337)	¥ —

	Millions of yen		
	2010		
	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)	¥ —

	Thousands of U.S. dollars		
	2011		
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	$ 60,744,695	$ 60,744,695	—
(2) Call loans	5,167,333	5,167,333	—
(3) Receivables under securities borrowing transactions	53,919,375	53,919,375	—
(4) Monetary claims bought	1,602,103	1,602,103	—
(5) Trading account securities:			
Securities classified as trading purposes	3,402	3,402	—
(6) Money held in trust	21,729,020	21,729,020	—
(7) Securities:			
Held-to-maturity securities	1,405,432,925	1,441,452,717	$36,019,791
Available-for-sale securities	699,504,074	699,504,074	—
(8) Loans:	50,977,418		
Reserve for possible loan losses**	(2,485)		
	50,974,933	51,811,405	836,472
Total assets	$2,299,077,865	$2,335,934,129	$36,856,264
(1) Deposits	$2,100,459,654	$2,107,219,654	$ 6,760,000
(2) Payables under securities lending transactions	97,220,214	97,220,214	—
Total liabilities	$2,197,679,868	$2,204,439,869	$ 6,760,000
Derivative transactions***			
For which hedge accounting is not applied	$ 1,375	$ 1,375	$ —
For which hedge accounting is applied	(5,440)	(5,440)	—
Total derivative transactions	$ (4,064)	$ (4,064)	$ —

* Insignificant balance sheet accounts are not disclosed.
** 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 their fair value is therefore included in that of 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 as the fair value. For due from banks that have a maturity date, their contract tenors are short term (within one year) and their fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair 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 as the fair value.

(4) Monetary claims bought

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

(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 by holding purpose are included in the below “g. Money held in trust” of Note 22. Fair Value Information for Securities.

(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 provided 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 securities by holding purpose are included in the below Note 22. Fair Value Information for Securities.

(8) Loans

Loans with floating interest rates reflect market interest rates within the short term. Unless a borrower's credit standing has changed significantly after the loan was originated, the fair value is approximately the same as the book value, and therefore the 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 limited to within a designated percentage of the amount of pledged assets, 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 that might be paid on demand at the balance sheet date (the book value) as the fair value.

For fixed-term deposits including time deposits and TEIGAKU deposits, the 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 instruments (foreign exchange forward contracts, currency swaps), and the Bank calculates the fair value using the discounted present value, etc.

(Note 2)

Financial instruments for which the Bank deems it extremely difficult to determine a fair value as of March 31, 2011 and 2010 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
	2011	2010	**2011**
Type	Amount on the balance sheet	Amount on the balance sheet	Amount on the balance sheet
Unlisted equities*	**¥900**	¥900	**$10,823**

* 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, 2011 was as follows:

	Millions of yen					
	2011					
	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	¥ 4,892,771	—	—	—	—	—
Call loans	429,663	—	—	—	—	—
Receivables under securities borrowing transactions	4,483,396	—	—	—	—	—
Monetary claims bought	10,590	¥ 11,479	¥ 6,208	¥ 5,488	¥ 24,827	¥ 73,625
Securities:						
Held-to-maturity securities:	24,804,563	32,801,036	26,512,148	19,613,753	12,888,157	—
Japanese Government Bonds	23,604,755	29,670,080	24,723,900	18,039,940	11,384,500	—
Japanese local government bonds	443,532	1,312,054	846,125	341,284	—	—
Japanese corporate bonds	756,275	1,777,921	873,632	1,195,005	1,503,657	—
Other securities	—	40,980	68,490	37,523	—	—
Available-for-sale securities (with maturity date):	12,892,872	11,705,502	7,113,586	6,912,103	11,128,467	4,994,448
Japanese Government Bonds	11,740,211	8,515,148	2,820,916	4,213,955	7,030,797	3,888,100
Japanese local government bonds	41,037	271,462	671,607	396,018	1,235,218	40,000
Japanese corporate bonds	735,034	1,548,880	1,800,796	444,240	1,141,500	1,016,348
Other securities	376,588	1,370,012	1,820,266	1,857,889	1,720,952	50,000
Loans	713,581	1,152,777	783,164	477,137	634,879	471,170
Total	¥48,227,439	¥45,670,795	¥34,415,108	¥27,008,482	¥24,676,332	¥5,539,244

	Thousands of U.S. dollars					
	2011					
	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	$ 58,842,715	—	—	—	—	—
Call loans	5,167,333	—	—	—	—	—
Receivables under securities borrowing transactions	53,919,375	—	—	—	—	—
Monetary claims bought	127,363	$ 138,054	$ 74,666	$ 66,002	$ 298,583	$ 885,453
Securities:						
Held-to-maturity securities:	298,311,041	394,480,292	318,847,249	235,883,987	154,998,881	—
Japanese Government Bonds	283,881,599	356,825,977	297,340,950	216,956,584	136,915,213	—
Japanese local government bonds	5,334,126	15,779,371	10,175,895	4,104,437	—	—
Japanese corporate bonds	9,095,315	21,382,092	10,506,704	14,371,684	18,083,668	—
Other securities	—	492,852	823,699	451,280	—	—
Available-for-sale securities (with maturity date):	155,055,592	140,775,737	85,551,252	83,128,121	133,836,053	60,065,527
Japanese Government Bonds	141,193,167	102,407,072	33,925,635	50,678,956	84,555,591	46,760,072
Japanese local government bonds	493,530	3,264,727	8,077,056	4,762,700	14,855,301	481,058
Japanese corporate bonds	8,839,862	18,627,540	21,657,197	5,342,633	13,728,202	12,223,074
Other securities	4,529,030	16,476,396	21,891,362	22,343,830	20,696,957	601,322
Loans	8,581,859	13,863,825	9,418,698	5,738,274	7,635,357	5,666,515
Total	$580,005,282	$549,257,909	$413,891,866	$324,816,386	$296,768,876	$66,617,497

(Note 4)

Scheduled repayment amounts of other interest-bearing liabilities subsequent to fiscal year ended March 31, 2011 was as follows:

	Millions of yen					
	2011					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	¥86,383,377	¥7,990,277	¥5,888,478	¥28,944,454	¥45,446,632	¥—
Payables under securities lending transactions	8,083,860	—	—	—	—	—
Total	¥94,467,238	¥7,990,277	¥5,888,478	¥28,944,454	¥45,446,632	¥—

	Thousands of U.S. dollars					
	2011					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	$1,038,886,078	$96,094,738	$70,817,542	$348,099,270	$546,562,023	$—
Payables under securities lending transactions	97,220,214	—	—	—	—	—
Total	$1,136,106,293	$96,094,738	$70,817,542	$348,099,270	$546,562,023	$—

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

22. 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, 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, 2011 and 2010.

b. Held-to-maturity securities

		Millions of yen		
		2011		
	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	¥105,570,947	¥108,314,021	¥2,743,074
	Japanese local government bonds	2,934,690	3,021,439	86,748
	Japanese corporate bonds	5,659,716	5,810,288	150,572
	Others	122,761	131,157	8,396
	Total	114,288,115	117,276,907	2,988,791
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	2,087,144	2,085,496	(1,647)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	462,254	461,778	(475)
	Others	24,233	23,491	(742)
	Total	2,573,632	2,570,766	(2,866)
Total		¥116,861,747	¥119,847,673	¥2,985,925

	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	Thousands of U.S. dollars		
		2011		
		Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	**$1,269,644,584**	**$1,302,634,056**	**$32,989,472**
	Japanese local government bonds	**35,293,929**	**36,337,211**	**1,043,281**
	Japanese corporate bonds	**68,066,346**	**69,877,194**	**1,810,847**
	Others	**1,476,383**	**1,577,358**	**100,974**
	Total	**1,374,481,244**	**1,410,425,821**	**35,944,576**
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	**25,100,950**	**25,081,135**	**(19,815)**
	Japanese local government bonds	**—**	**—**	**—**
	Japanese corporate bonds	**5,559,281**	**5,553,558**	**(5,722)**
	Others	**291,448**	**282,518**	**(8,929)**
	Total	**30,951,680**	**30,917,212**	**(34,468)**
Total		**$1,405,432,925**	**$1,441,343,033**	**$35,910,108**

c. Investments in subsidiaries and affiliates

As of March 31, 2011 and 2010, there were no investments in affiliates whose fair value was available.

Note: Securities of subsidiaries and affiliates whose fair value cannot be reliably determined as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
	Amount on the balance sheet	Amount on the balance sheet	Amount on the balance sheet
Securities of affiliates	**¥900**	¥900	**$10,823**
Total	**¥900**	¥900	**$10,823**

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

		Millions of yen		
		2011		
	Type	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	¥30,399,283	¥29,984,550	¥ 414,732
	Japanese local government bonds	2,068,693	2,016,399	52,294
	Japanese corporate bonds	5,181,044	5,077,680	103,364
	Others	6,664,696	6,530,953	133,742
	Total	44,313,718	43,609,583	704,134
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:			
	Japanese Government Bonds	8,403,587	8,425,949	(22,361)
	Japanese local government bonds	655,453	661,106	(5,652)
	Japanese corporate bonds	1,604,736	1,635,889	(31,152)
	Others	4,364,482	4,485,295	(120,813)
	Total	15,028,260	15,208,240	(179,980)
Total		¥59,341,978	¥58,817,824	¥ 524,154

		Millions of yen		
		2010		
	Type	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

		Thousands of U.S. dollars		
		2011		
	Type	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	$365,595,718	$360,607,949	$ 4,987,768
	Japanese local government bonds	24,879,051	24,250,139	628,912
	Japanese corporate bonds	62,309,617	61,066,508	1,243,108
	Others	80,152,691	78,544,238	1,608,452
	Total	532,937,077	524,468,835	8,468,242
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:			
	Japanese Government Bonds	101,065,397	101,334,326	(268,928)
	Japanese local government bonds	7,882,786	7,950,767	(67,981)
	Japanese corporate bonds	19,299,299	19,673,955	(374,655)
	Others	52,489,266	53,942,224	(1,452,958)
	Total	180,736,749	182,901,273	(2,164,523)
Total		$713,673,827	$707,370,108	$ 6,303,719

e. Held-to-maturity securities

Held-to-maturity securities sold during the fiscal years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		
	2011		
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	**¥3,634,046**	**¥3,637,299**	**¥3,252**
Total	**¥3,634,046**	**¥3,637,299**	**¥3,252**

	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

	Thousands of U.S. dollars		
	2011		
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	**$43,704,707**	**$43,743,825**	**$39,118**
Total	**$43,704,707**	**$43,743,825**	**$39,118**

These held-to-maturity securities were sold in accordance with Article 282 of “Practical Guidance on Accounting for Financial Instruments” (JICPA Accounting Standard Committee Report No. 14).

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, 2011 and 2010 consisted of the following:

	Millions of yen		
	2011		
	Sales proceeds	Total realized gains	Total realized losses
Bonds:			
Japanese Government Bonds	**¥3,588,763**	**¥24,124**	**¥26,263**
Others	**963,158**	**—**	**53,117**
Total	**¥4,551,922**	**¥24,124**	**¥79,381**

	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

	Thousands of U.S. dollars		
	2011		
	Sales proceeds	Total realized gains	Total realized losses
Bonds:			
Japanese Government Bonds	**$43,160,113**	**$290,135**	**$315,856**
Others	**11,583,390**	**—**	**638,816**
Total	**$54,743,503**	**$290,135**	**$954,673**

g. Money held in trust

The Bank did not hold money held in trust for the purpose of trading nor held-to-maturity as of March 31, 2011 and 2010.

Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2011 and 2010 were as follows:

	Millions of yen				
	2011				
	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	**¥1,806,768**	**¥1,669,573**	**¥137,194**	**¥180,995**	**¥(43,800)**

	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)

	Thousands of U.S. dollars				
	2011				
	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	**$21,729,020**	**$20,079,055**	**$1,649,964**	**$2,176,734**	**$(526,769)**

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, 2011 and 2010 amounted to ¥19,653 million ($236,360 thousand) and ¥8,270 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 as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Valuation differences:	**¥ 661,348**	¥ 645,065	**$ 7,953,684**
Available-for-sale securities	**524,154**	573,754	**6,303,719**
Available-for-sale money held in trust	**137,194**	71,311	**1,649,964**
Deferred tax assets (liabilities)	**(269,097)**	(262,472)	**(3,236,290)**
Unrealized gains (losses) on available-for-sale securities	**¥ 392,251**	¥ 382,593	**$ 4,717,393**

23. Derivatives

a. Derivatives for which hedge accounting not applied as of March 31, 2011 and 2010

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.

(1) Interest rate-related instruments: None as of March 31, 2011 and 2010

(2) Currency-related instruments as of March 31, 2011 and 2010:

The Bank had the following derivative instruments outstanding as of March 31, 2011 and 2010:

Currency-related instruments (as of March 31, 2011)

		Millions of yen			
		2011			
Category	Type	Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—bought	¥6,864	¥—	¥114	¥114
Total		——	——	¥114	¥114

Currency-related instruments (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 instruments (as of March 31, 2011)

		Thousands of U.S. dollars			
		2011			
Category	Type	Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—bought	$82,551	$—	$1,375	$1,375
Total		——	——	$1,375	$1,375

Notes: 1. The above instruments 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.

(3) Equity-related derivatives: None as of March 31, 2011 and 2010

(4) Bond-related derivatives: None as of March 31, 2011 and 2010

(5) Commodity-related derivatives: None as of March 31, 2011 and 2010

(6) Credit derivatives: None as of March 31, 2011 and 2010

b. Derivatives for which hedge accounting applied as of March 31, 2011 and 2010

For derivative instruments for which hedge accounting is applied, the contract amount at the balance sheet date for each type of underlying instruments for each hedge accounting method, the principal equivalent amount stipulated in the contract, the fair value, and the 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 instruments.

(1) Interest rate-related instruments

Hedge accounting method	Type	Primary hedged instrument	Millions of yen 2011 Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap instruments: Pay fixed swaps, receive floating swaps	Available-for-sale securities: (Japanese Government Bonds), Deposits	**¥2,269,300**	**¥2,269,300**	**¥(19,406)**
	Receive fixed swaps, pay floating swaps		**1,500,000**	**1,500,000**	**877**
Total			**——**	**——**	**¥(18,529)**

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	Interest rate swap instruments: Pay fixed swaps, receive floating swaps	Available-for-sale securities: (Japanese Government Bonds)	¥1,470,830	¥1,470,830	¥8,512
Total			——	——	¥8,512

Hedge accounting method	Type	Primary hedged instrument	Thousands of U.S. dollars 2011 Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap instruments: Pay fixed swaps, receive floating swaps	Available-for-sale securities: (Japanese Government Bonds), Deposits	**$27,291,641**	**$27,291,641**	**$(233,393)**
	Receive fixed swaps, pay floating swaps		**18,039,687**	**18,039,687**	**10,550**
Total			**——**	**——**	**$(222,842)**

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.

(2) Currency-related instruments

Hedge accounting method	Type	Primary hedged instrument	Millions of yen 2011 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)	**¥480,947**	**¥441,964**	**¥26,296**
	Currency swap		**484,880**	**482,738**	**(8,219)**
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities: (Foreign securities)	**173,688**	**167,882**	**(Note 3)**
Total			**——**	**——**	**¥18,076**

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 2011 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)	**$5,784,094**	**$5,315,263**	**$316,256**
	Currency swap		**5,831,393**	**5,805,637**	**(98,854)**
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities: (Foreign securities)	**2,088,856**	**2,019,029**	**(Note 3)**
Total			**——**	**——**	**$217,401**

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. Derivatives under the accounting method translating foreign currency receivables at forward rates are treated as being an inseparable part of the contract being hedged, and their fair value is therefore included in that of the corresponding contract under Note 21.Financial Instruments.

24. Loans

Past-due loans, before reserves, totaled ¥2 million ($24 thousand) as of March 31, 2011. Past-due loans are non-accrual loans other than loans to bankrupt borrowers, loans to restructuring borrowers, and loans for which interest payments have been deferred to assist a struggling borrower. Loans to bankrupt borrowers are loans, after write-offs, to bankrupt borrowers as defined in Article 96-1-3-1 to 5 or 96-1-4 of the Enforcement Ordinance of the Corporate Tax Law (No. 97 in 1965) and on which accrued interest income is not recognized ("Non-accrual loans") as there is substantial doubt as to the collection of principal and/or interest because of delinquencies in payment of principal and/or interest for a significant period of time or for some other reasons.

"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.

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 amounted ¥10,235 million ($123,090 thousand) and ¥5,235 million as of March 31, 2011 and 2010, respectively. Of this amount, ¥7,500 million ($90,198 thousand) and ¥2,500 million as of March 31, 2011 and 2010, respectively 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.

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.

25. 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, 2011 and 2010 consisted of the following:

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Projected benefit obligation	**¥(127,408)**	¥(126,275)	**$(1,532,278)**
Unfunded projected benefit obligation	**(127,408)**	(126,275)	**(1,532,278)**
Unrecognized net actuarial losses	**(6,108)**	(2,740)	**(73,464)**
Net amount recorded on the balance sheets	**(133,517)**	(129,015)	**(1,605,742)**
Reserve for employees' retirement benefits	**¥(133,517)**	¥(129,015)	**$(1,605,742)**

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The breakdown of total retirement benefit costs for the years ended March 31, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost	¥6,259	¥5,965	$75,278
Interest cost on projected benefit obligation	2,184	2,128	26,275
Amortization of unrecognized net actuarial losses	(308)	(288)	(3,711)
Total retirement benefit costs	¥8,135	¥7,805	$97,841

Assumptions used in the calculation of the above information for the years ended March 31, 2011 and 2010 are set forth as follows:

	2011	2010
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

26. 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, 2011 and 2010.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Reserve for possible loan losses	¥ 473	¥ 633	$ 5,696
Reserve for employees' retirement benefits	54,327	52,495	653,363
Depreciation	13,087	17,457	157,391
Accrued interest on deposits	17,266	27,825	207,651
Impairment losses of money held in trust	14,041	11,235	168,871
Other	21,144	16,683	254,295
Total deferred tax assets	120,340	126,331	1,447,271
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(269,097)	(262,472)	(3,236,290)
Other	(13,677)	(9,067)	(164,489)
Total deferred tax liabilities	(282,774)	(271,539)	(3,400,779)
Net deferred tax assets (liabilities)	¥(162,434)	¥(145,208)	$(1,953,508)

For the fiscal years ended March 31, 2011 and 2010, the difference between the effective income tax rate and effective tax payout ratio was less than 5%.

27. Profit or Loss From Equity Method

The details for the fiscal years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Investments in affiliates	¥900	¥900	$10,823
Investments, if equity method accounting is adopted	837	805	10,066
Investment gains (losses), if equity method accounting is adopted	31	14	373

Additional Information

Effective from the fiscal year ended March 31, 2011, the Bank has adopted "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No. 24 issued on March 10, 2008). The adoption of equity method did not affect investment gains for the fiscal year ended March 31, 2011.

28. Segment Information

Segment Information

Segment information is omitted as the Bank comprises only single segment, which is defined as banking service.

Related Information

a. Information about services

Information by services is omitted as revenues from securities investment accounted for more than 90% of the total revenues in the statement of income for the year ended March 31, 2011.

b. Information about geographical areas

1) Revenues

Information about revenues by geographical area is omitted as revenues from external customers in Japan accounted for more than 90% of the total revenues in the statement of income for the year ended March 31, 2011.

2) Tangible fixed assets

Information about tangible fixed assets by geographical areas is omitted as related assets located in Japan accounted for more than 90% of the tangible fixed assets in the balance sheet as of March 31, 2011.

c. Information about major customers

Information by major customers is omitted as there was no single external customer accounted for 10% or more of the total revenues in the statement of income for the year ended March 31, 2011.

Information about losses on impairment of fixed assets by reported segments

The related information is omitted as the Bank comprises only single segment, which is defined as banking service.

Information about amortization of goodwill and unamortized balance by reported segment

None

Information about recognized gain on negative goodwill by reported segments

None

Additional Information

Effective from the fiscal year ended March 31, 2011, the Bank has adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008).

29. Related Party Transactions

a. Transactions with related parties

(1) Transactions between the Bank and related parties for the years ended March 31, 2011 and 2010 were as follows:

For the year ended March 31, 2011

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

Ownership of voting rights held	100% of the Bank's shares		
Capital	¥3,500,000 million ($42,092,603 thousand)		
Nature of transactions	Concurrent holding of positions by executive management directors Business management		
Details of transactions:	Payments of grants*	Payments of IT system (PNET) service charge**	Payments of management fees***
Transaction amount	¥56,264 million ($676,657 thousand)	¥31,732 million ($381,630 thousand)	¥4,111 million ($49,449 thousand)
Account	—	Other liabilities	Other liabilities
Outstanding balance at end of the fiscal year	—	¥2,781 million ($33,453 thousand)	¥359 million ($4,326 thousand)

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		
Nature of transactions	Concurrent holding of positions by executive management directors Business management		
Details of transactions:	Payments of grants*	Payments of IT system (PNET) service charge**	Payments of management fees***
Transaction amount	¥73,008 million	¥37,619 million	¥4,431 million
Account	—	Other liabilities	Other liabilities
Outstanding balance at end of the fiscal year	—	¥3,315 million	¥387 million

* 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.

(2) Transactions between the Bank and unconsolidated subsidiaries or affiliates:
None for the fiscal years ended March 31, 2011 and 2010

(3) Transactions between the Bank and companies with the same parent or subsidiaries of the Bank's affiliates for the years ended March 31, 2011 and 2010 were as follows:

For the year ended March 31, 2011

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

Ownership of voting rights held	Nil		
Capital	¥100,000 million ($1,202,645 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	¥631,924 million ($7,599,812 thousand)	¥1,344,684 million ($16,171,797 thousand)	—
Account	Other liabilities	Other assets**	Other assets***
Outstanding balance at end of the fiscal year	¥53,378 million ($641,959 thousand)	¥1,340,000 million ($16,115,453 thousand)	¥44,933 million ($540,387 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, 2011.
*** 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 amount is exclusive of consumption and other taxes. Year-end balance includes consumption and other taxes.

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

Ownership of voting rights held	Nil
Capital	¥100,000 million ($1,202,645 thousand)
Nature of transactions	Consignment contracts for logistics operations
Details of transactions:	Payment of consignment fees for logistics operations****
Transaction amount	¥2,544 million ($30,606 thousand)
Account	Other liabilities
Outstanding balance at end of the fiscal year	¥267 million ($3,220 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 amount is exclusive of consumption and other taxes. Year-end balance includes consumption and other taxes.

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		
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	¥1,347,287 million	—
Account	Other liabilities	Other assets**	Other assets***
Outstanding balance at end of the fiscal year	¥53,409 million	¥1,340,000 million	¥24,387 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 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
Nature of transactions	Consignment contracts for logistics operations
Details of transactions:	Payment of consignment fees for logistics operations****
Transaction amount	¥2,456 million
Account	Other liabilities
Outstanding balance at end of the fiscal year	¥294 million

**** 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.

(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

30. Per Share Data

Net assets per share at March 31, 2011 and 2010 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2011	2010	**2011**
Net assets per share	**¥60,624.23**	¥58,930.31	**$729.09**
Net income per share	**2,108.86**	1,978.38	**25.36**

Net assets per share for the fiscal years ended March 31, 2011 and 2010 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Net assets	**¥9,093,634**	¥8,839,547	**$109,364,220**
Net assets attributable to common stock at the end of the fiscal year	**9,093,634**	8,839,547	**109,364,220**
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, 2011 and 2010 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Net income	**¥316,329**	¥296,758	**$3,804,328**
Net income attributable to common stock	**316,329**	296,758	**3,804,328**
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, 2011 and 2010.

31. 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, 2011 and 2010, 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, 2011 and 2010, 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, 2011 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 LLC

Tokyo, Japan
June 24, 2011

Financial Data

Key Financial Indicators

Key Financial Indicators

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Revenues	**¥ 2,205,344**	¥ 2,207,942	**$ 26,522,481**
Operating profit (before provision for (reversal of) general reserve for possible loan losses)	**508,753**	489,157	**6,118,498**
Net operating profit	**508,362**	489,032	**6,113,801**
Net ordinary income	**526,550**	494,252	**6,332,533**
Net income	**316,329**	296,758	**3,804,328**
Common stock	**3,500,000**	3,500,000	**42,092,603**
Shares outstanding (thousand shares)	**150,000**	150,000	**150,000**
Net assets	**9,093,634**	8,839,547	**109,364,220**
Total assets	**193,443,350**	194,678,352	**2,326,438,373**
Deposits	**174,653,220**	175,797,715	**2,100,459,654**
Loans	**4,238,772**	4,022,547	**50,977,418**
Securities	**175,026,411**	178,230,687	**2,104,947,824**
Capital adequacy ratio (non-consolidated, domestic standard) (%)	**74.82**	91.62	**74.82**
Dividend payout ratio (%)	**25.00**	24.96	**25.00**
Employees	**12,351**	12,060	**12,351**

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
	2011	2010	2011
Gross operating profit:	¥ 1,718,949	¥ 1,710,447	$ 20,672,869
(Excluding gains (losses) on bonds)	1,774,205	1,698,817	21,337,407
Net interest income	1,686,472	1,621,305	20,282,287
Net fees and commissions	87,990	86,162	1,058,218
Trading gains	–	–	–
Net other operating income (loss)	(55,514)	2,979	(667,637)
(Gains (losses) on bonds)	(55,256)	11,629	(664,537)
General and administrative expenses (excluding non-recurring losses):	(1,210,195)	(1,221,290)	(14,554,370)
Personnel expenses	(114,644)	(114,704)	(1,378,764)
Non-personnel expenses	(1,023,872)	(1,035,143)	(12,313,562)
Taxes and dues	(71,678)	(71,441)	(862,042)
Operating profit (before provision for (reversal of) general reserve for possible loan losses)	508,753	489,157	6,118,498
(Excluding gains (losses) on bonds)	564,009	477,527	6,783,036
Provision for general reserve for possible loan losses	(390)	(124)	(4,697)
Net operating profit:	508,362	489,032	6,113,801
Gains (losses) on bonds	(55,256)	11,629	(664,537)
Non-recurring gains (losses):	18,187	5,219	218,732
Gains (losses) on money held in trust	13,750	2,377	165,365
Other non-recurring gains (losses)	4,437	2,842	53,366
Net ordinary income	526,550	494,252	6,332,533
Extraordinary income (loss):	(1,338)	(801)	(16,097)
Gains (losses) on sales and disposal of fixed assets	(870)	(403)	(10,468)
Losses on impairment of fixed assets	(14)	(432)	(173)
Reversal of reserve for possible loan losses	–	–	–
Recoveries of written-off loans	17	34	206
Losses on disaster	(470)	–	(5,661)
Income before income taxes	525,211	493,450	6,316,435
Income taxes—current	(199,790)	(198,698)	(2,402,770)
Income taxes—deferred	(9,091)	2,005	(109,337)
Net income	316,329	296,758	3,804,328
Credit-related expenses:	(51)	(66)	(614)
Provision for general reserve for possible loan losses	(51)	(66)	(614)
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 those expenses related to problem assets disclosed under the Financial Reconstruction Law.
3. Numbers in parenthesis indicate the amount of loss, expense and decrease.

Gross Operating Profit and Gross Operating Profit Margin

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Gross operating profit	¥1,718,949	¥1,710,447	$20,672,869
Gross operating profit margin (%)	0.93	0.90	0.93

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
	2011	2010	2011
Net interest income:	¥1,686,472	¥1,621,305	$20,282,287
Interest income	2,044,121	2,066,088	24,583,539
Interest expenses	357,649	444,783	4,301,252
Net fees and commissions:	87,990	86,162	1,058,218
Fees and commissions received	109,694	108,493	1,319,232
Fees and commissions paid	21,703	22,331	261,013
Net trading income:	–	–	–
Trading gains	–	–	–
Trading losses	–	–	–
Net other operating income (loss):	(55,514)	2,979	(667,637)
Other operating income	24,134	13,058	290,255
Other operating expenses	79,648	10,079	957,892

Note: Interest expenses exclude expenses corresponding to money held in trust (fiscal year ended March 31, 2011, ¥3,035 million ($36,511 thousand); fiscal year ended March 31, 2010, ¥2,934 million).

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

Years ended March 31

	Millions of yen		
	2011		
	Average balance	Interest	Earnings yield (%)
Interest-earning assets:	**¥182,992,293**	**¥2,044,121**	**1.11**
Loans	**4,271,676**	**49,471**	**1.15**
Securities	**174,125,423**	**1,972,154**	**1.13**
Deposits (to the fiscal loan fund)	**700,164**	**14,043**	**2.00**
Due from banks, etc.	**3,738,512**	**3,517**	**0.09**
Interest-bearing liabilities:	**175,079,306**	**357,649**	**0.20**
Deposits	**175,713,095**	**305,873**	**0.17**
Borrowed money	**700,164**	**14,018**	**2.00**

	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, etc.	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

	Thousands of U.S. dollars		
	2011		
	Average balance	Interest	Earnings yield (%)
Interest-earning assets:	**$2,200,749,173**	**$24,583,539**	**1.11**
Loans	**51,373,141**	**594,965**	**1.15**
Securities	**2,094,112,129**	**23,718,035**	**1.13**
Deposits (to the fiscal loan fund)	**8,420,497**	**168,894**	**2.00**
Due from banks, etc.	**44,961,068**	**42,303**	**0.09**
Interest-bearing liabilities:	**2,105,583,959**	**4,301,252**	**0.20**
Deposits	**2,113,206,200**	**3,678,576**	**0.17**
Borrowed money	**8,420,495**	**168,593**	**2.00**

Notes: 1. Income and expenses for money held in trust are included in “other income” and “other expenses,” respectively. Accordingly, the average balance of money held in trust (fiscal year ended March 31, 2011, ¥1,486,181 million ($17,873,494 thousand); fiscal year ended March 31, 2010, ¥1,191,116 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (fiscal year ended March 31, 2011, ¥1,486,181 million ($17,873,494 thousand); fiscal year ended March 31, 2010, ¥1,191,116 million) and the corresponding interest (fiscal year ended March 31, 2011, ¥3,035 million ($36,511 thousand); fiscal year ended March 31, 2010, ¥2,934 million) are excluded from interest-bearing liabilities.

2. Due from banks, etc., 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		
	2011		
	Volume-related change	Interest-related change	Net change
Interest income:	¥(64,131)	¥ 42,164	¥(21,967)
Loans	3,276	(1,624)	1,651
Securities	(18,910)	70,085	51,174
Deposits (to the fiscal loan fund)	(75,395)	3,315	(72,079)
Due from banks, etc.	(632)	(2,674)	(3,306)
Interest expenses:	(13,096)	(74,037)	(87,134)
Deposits	(2,698)	(34,796)	(37,495)
Borrowed money	(75,245)	3,102	(72,142)

	Thousands of U.S. dollars		
	2011		
	Volume-related change	Interest-related change	Net change
Interest income:	$(771,278)	$ 507,087	$ (264,190)
Loans	39,401	(19,535)	19,866
Securities	(227,429)	842,880	615,450
Deposits (to the fiscal loan fund)	(906,737)	39,871	(866,865)
Due from banks, etc.	(7,601)	(32,165)	(39,766)
Interest expenses:	(157,504)	(890,413)	(1,047,917)
Deposits	(32,449)	(418,482)	(450,932)
Borrowed money	(904,936)	37,314	(867,622)

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
	2011		2010		2011
	Amount	%	Amount	%	Amount
Personnel expenses:	¥ 114,388	9.45	¥ 114,490	9.37	$ 1,375,683
Salaries and allowances	106,187	8.77	106,479	8.72	1,277,057
Others	8,200	0.67	8,011	0.65	98,626
Non-personnel expenses:	1,023,872	84.62	1,035,143	84.77	12,313,562
Payments on commissioned services for JAPAN POST NETWORK Co., Ltd.	631,924	52.22	632,587	51.80	7,599,812
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (Note)	56,264	4.65	73,008	5.97	676,657
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	90,876	7.51	74,401	6.09	1,092,919
Rent for land, buildings and others	11,363	0.93	11,499	0.94	136,658
Expenses on consigned businesses	75,779	6.26	86,655	7.09	911,362
Depreciation and amortization	34,959	2.88	45,083	3.69	420,437
Communication and transportation expenses	24,119	1.99	23,363	1.91	290,070
Maintenance expenses	16,542	1.36	16,781	1.37	198,942
Others	82,044	6.78	71,762	5.87	986,703
Taxes and dues	71,678	5.92	71,441	5.85	862,042
Total	¥1,209,939	100.00	¥1,221,076	100.00	$14,551,289

* The Bank makes payments of subsidies 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
		2011		2010		2011
		Amount	%	Amount	%	Amount
Domestic operations	Liquid deposits:	¥ 59,846,906	34.26	¥ 57,113,869	32.48	$ 719,746,322
	Transfer deposits	8,714,719	4.98	7,597,731	4.32	104,807,212
	Ordinary deposits, etc.	50,709,948	29.03	49,087,540	27.92	609,861,078
	Savings deposits	422,238	0.24	428,597	0.24	5,078,031
	Fixed-term deposits:	114,504,523	65.56	118,381,289	67.33	1,377,083,867
	Time deposits, etc.	22,005,855	12.59	27,475,685	15.62	264,652,500
	TEIGAKU deposits, etc.	92,494,319	52.95	90,891,424	51.70	1,112,379,070
	Other deposits	301,789	0.17	302,556	0.17	3,629,464
	Subtotal	174,653,220	100.00	175,797,715	100.00	2,100,459,654
	Negotiable certificates of deposit	–	–	–	–	–
	Total	174,653,220	100.00	175,797,715	100.00	2,100,459,654
International operations	Total	–	–	–	–	–
Total		¥174,653,220	100.00	¥175,797,715	100.00	$2,100,459,654

Years ended March 31

Average Balances

		Millions of yen				Thousands of U.S. dollars
		2011		2010		2011
		Amount	%	Amount	%	Amount
Domestic operations	Liquid deposits:	¥ 59,037,126	33.59	¥ 58,514,727	33.03	$ 710,007,539
	Transfer deposits	8,252,069	4.69	7,480,475	4.22	99,243,172
	Ordinary deposits, etc.	50,360,275	28.66	50,589,235	28.56	605,655,747
	Savings deposits	424,781	0.24	445,016	0.25	5,108,619
	Fixed-term deposits:	116,377,366	66.23	118,321,109	66.80	1,399,607,537
	Time deposits, etc.	24,842,977	14.13	23,381,719	13.20	298,773,036
	TEIGAKU deposits, etc.	91,527,146	52.08	94,912,487	53.58	1,100,747,406
	Other deposits	298,601	0.16	279,331	0.15	3,591,123
	Subtotal	175,713,095	100.00	177,115,167	100.00	2,113,206,200
	Negotiable certificates of deposit	–	–	–	–	–
	Total	175,713,095	100.00	177,115,167	100.00	2,113,206,200
International operations	Total	–	–	–	–	–
Total		¥175,713,095	100.00	¥177,115,167	100.00	$2,113,206,200

Time Deposits by Time to Maturity

As of March 31

		Millions of yen		Thousands of U.S. dollars
		2011	2010	**2011**
Less than three months	Time deposits:	**¥ 4,596,346**	¥ 5,785,619	**$ 55,277,767**
	Fixed interest rates	**4,596,346**	5,785,619	**55,277,767**
	Floating interest rates	**–**	–	**–**
	Other time deposits	**–**	–	**–**
≥ Three months < six months	Time deposits:	**4,434,548**	5,377,741	**53,331,910**
	Fixed interest rates	**4,434,548**	5,377,741	**53,331,910**
	Floating interest rates	**–**	–	**–**
	Other time deposits	**–**	–	**–**
≥ Six months < one year	Time deposits:	**10,694,662**	13,633,853	**128,618,911**
	Fixed interest rates	**10,694,662**	13,633,853	**128,618,911**
	Floating interest rates	**–**	–	**–**
	Other time deposits	**–**	–	**–**
≥ One year < two years	Time deposits:	**738,682**	1,132,327	**8,883,730**
	Fixed interest rates	**738,682**	1,132,327	**8,883,730**
	Floating interest rates	**–**	–	**–**
	Other time deposits	**–**	–	**–**
≥ Two years < three years	Time deposits:	**1,189,877**	604,859	**14,310,007**
	Fixed interest rates	**1,189,877**	604,859	**14,310,007**
	Floating interest rates	**–**	–	**–**
	Other time deposits	**–**	–	**–**
Three years or more	Time deposits:	**351,738**	941,284	**4,230,173**
	Fixed interest rates	**351,738**	941,284	**4,230,173**
	Floating interest rates	**–**	–	**–**
	Other time deposits	**–**	–	**–**
Total	Time deposits:	**¥22,005,855**	¥27,475,685	**$264,652,500**
	Fixed interest rates	**22,005,855**	27,475,685	**264,652,500**
	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
	2011	2010	**2011**
Less than one year	**¥ 6,508,862**	¥12,053,682	**$ 78,278,559**
≥ One < three years	**6,060,924**	11,694,645	**72,891,453**
≥ Three < five years	**5,535,435**	6,804,781	**66,571,682**
≥ Five < seven years	**28,942,465**	13,488,943	**348,075,351**
Seven years or more	**45,446,632**	46,849,371	**546,562,023**
Total	**¥92,494,319**	¥90,891,424	**$1,112,379,070**

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
	2011	2010	2011
Loans on notes	–	–	–
Loans on deeds	¥4,015,810	¥3,783,806	$48,295,980
Overdrafts	222,961	238,741	2,681,438
Notes discounted	–	–	–
Total	¥4,238,772	¥4,022,547	$50,977,418

Years ended March 31

Average Balances

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans on notes	–	–	–
Loans on deeds	¥4,047,647	¥3,744,427	$48,678,859
Overdrafts	224,029	233,365	2,694,282
Notes discounted	–	–	–
Total	¥4,271,676	¥3,977,793	$51,373,141

Loans by Time to Maturity

As of March 31

		Millions of yen		Thousands of U.S. dollars
		2011	2010	2011
One year or less	Loans:	¥ 511,178	¥ 285,822	$ 6,147,669
	Floating interest rates	/	/	/
	Fixed interest rates	/	/	/
> One and ≤ three years	Loans:	477,976	258,763	5,748,368
	Floating interest rates	240,396	130,252	2,891,117
	Fixed interest rates	237,580	128,511	2,857,251
> Three and ≤ five years	Loans:	300,283	462,460	3,611,352
	Floating interest rates	121,271	167,307	1,458,463
	Fixed interest rates	179,012	295,152	2,152,888
> Five and ≤ seven years	Loans:	681,583	249,031	8,197,034
	Floating interest rates	4,800	14,010	57,726
	Fixed interest rates	676,783	235,020	8,139,307
> Seven and ≤ ten years	Loans:	792,185	1,236,318	9,527,182
	Floating interest rates	–	50,000	–
	Fixed interest rates	792,185	1,186,318	9,527,182
Over ten years	Loans:	1,475,564	1,530,152	17,745,811
	Floating interest rates	–	–	–
	Fixed interest rates	1,475,564	1,530,152	17,745,811
No designated term	Loans:	–	–	–
	Floating interest rates	–	–	–
	Fixed interest rates	–	–	–
Total		¥4,238,772	¥4,022,547	$50,977,418

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/10 years), and those loans are recorded as fixed interest rate loans.
2. Loans to depositors (maturities of two years or less) are treated as having time to maturity of one year or less.
3. Loans with maturities of one year or less have not been categorized into fixed and floating interest rate instruments.

Loans and Acceptances and Guarantees by Type of Collateral

As of March 31

Loans by Type of Collateral

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Securities	¥ 324	¥ 416	$ 3,903
Receivables	139,163	112,116	1,673,643
Merchandise	–	–	–
Real estate	–	–	–
Others	–	–	–
Subtotal	139,488	112,533	1,677,547
Guarantees	204,620	49,616	2,460,856
Credit	3,894,664	3,860,398	46,839,015
Total	¥4,238,772	¥4,022,547	$50,977,418

Acceptances and Guarantees by Type of Collateral

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Securities	–	–	–
Receivables	–	–	–
Merchandise	–	–	–
Real estate	–	–	–
Others	–	–	–
Subtotal	–	–	–
Guarantees	–	–	–
Credit	¥110,000	–	$1,322,910
Total	¥110,000	–	$1,322,910

Loans by Purpose

As of March 31

	Millions of yen				Thousands of U.S. dollars
	2011		2010		2011
	Amount	%	Amount	%	Amount
Funds for capital investment	¥ 128,829	3.03	¥ 81,128	2.01	$ 1,549,365
Funds for working capital	4,109,942	96.96	3,941,418	97.98	49,428,053
Total	¥4,238,772	100.00	¥4,022,547	100.00	$50,977,418

Loans by Industry

As of March 31

	Millions of yen				Thousands of U.S. dollars
	2011		2010		2011
	Amount	%	Amount	%	Amount
Agriculture, forestry, fisheries, and mining	–	–	–	–	–
Manufacturing	¥ 171,860	4.05	¥ 132,666	3.29	$ 2,066,878
Utilities, information/communications, and transportation	183,981	4.34	178,115	4.42	2,212,643
Wholesale and retail	37,701	0.88	32,038	0.79	453,412
Finance and insurance	2,829,475	66.75	3,175,974	78.95	34,028,567
Construction and real estate	35,283	0.83	34,388	0.85	424,332
Services and goods rental/leasing	194,501	4.58	35,500	0.88	2,339,168
Central and local governments	601,147	14.18	284,445	7.07	7,229,680
Others	184,820	4.36	149,420	3.71	2,222,736
Total	¥4,238,772	100.00	¥4,022,547	100.00	$50,977,418

Loans to Individuals and Small and Midsize Enterprises

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Total loans (A)	¥4,238,772	¥4,022,547	$50,977,418
Loans to individuals and small and midsize enterprises (B)	¥ 142,306	¥ 114,899	$ 1,711,442
(B)/(A) (%)	3.35	2.85	3.35

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.

Risk-Monitored Loans

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans to bankrupt borrowers	–	–	–
Past-due loans	¥2	–	$27
Past-due loans for three months or more	–	–	–
Restructured loans	–	–	–
Total	¥2	–	$27

Problem Assets Disclosed under the Financial Reconstruction Law

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans to borrowers classified as bankrupt or quasi-bankrupt	–	–	–
Loans to borrowers classified as doubtful	¥ 2	–	$ 27
Loans requiring close monitoring	–	–	–
Subtotal (A)	2	–	27
Loans to borrowers classified as normal	4,357,795	¥4,030,715	52,408,847
Total (B)	¥4,357,797	¥4,030,715	$52,408,875
Non-performing loan ratio (A)/(B) (%)	0.00	–	0.00

Reserve for Possible Loan Losses

For the years ended March 31

	Millions of yen			
	2011			
	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	**¥ 494**	**¥ 885**	**¥ 494**	**¥ 885**
Specific reserve for possible loan losses	**1,061**	**856**	**1,061**	**856**
Total	**¥1,556**	**¥1,742**	**¥1,556**	**¥1,742**

	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

	Thousands of U.S. dollars			
	2011			
	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	**$ 5,952**	**$10,650**	**$ 5,952**	**$10,650**
Specific reserve for possible loan losses	**12,762**	**10,302**	**12,762**	**10,302**
Total	**$18,715**	**$20,953**	**$18,715**	**$20,953**

Securities

Average Balance by Type of Trading Book Securities

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Trading book Japanese Government Bonds	**¥334**	¥274	**$4,027**
Trading book Japanese local government bonds	**–**	–	**–**
Trading book government guaranteed bonds	**–**	–	**–**
Other trading book securities	**–**	–	**–**
Total	**¥334**	¥274	**$4,027**

Securities by Time to Maturity

As of March 31

	Millions of yen							
	2011							
	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	**¥35,398,979**	**¥38,368,408**	**¥27,690,931**	**¥22,513,762**	**¥18,518,862**	**¥3,970,017**	**–**	**¥146,460,963**
Japanese local government bonds	**485,001**	**1,582,339**	**1,529,135**	**758,133**	**1,261,357**	**42,870**	**–**	**5,658,837**
Commercial paper	**102,999**	**–**	**–**	**–**	**–**	**–**	**–**	**102,999**
Japanese corporate bonds	**1,392,274**	**3,348,304**	**2,702,062**	**1,662,910**	**2,661,634**	**1,037,566**	**–**	**12,804,753**
Stocks	**–**	**–**	**–**	**–**	**–**	**–**	**¥ 900**	**900**
Others:	**377,748**	**1,423,826**	**1,908,218**	**1,914,270**	**1,730,172**	**50,610**	**2,593,113**	**9,997,959**
Foreign bonds	**377,748**	**1,393,910**	**1,908,218**	**1,914,270**	**1,730,172**	**50,610**	**–**	**7,374,930**
Foreign stocks	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**¥37,757,003**	**¥44,722,879**	**¥33,830,347**	**¥26,849,076**	**¥24,172,027**	**¥5,101,064**	**¥2,594,013**	**¥175,026,411**

	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

	Thousands of U.S. dollars							
	2011							
	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	**$425,724,353**	**$461,436,057**	**$333,023,834**	**$270,760,826**	**$222,716,330**	**$47,745,249**	**–**	**$1,761,406,651**
Japanese local government bonds	**5,832,848**	**19,029,942**	**18,390,081**	**9,117,659**	**15,169,660**	**515,574**	**–**	**68,055,767**
Commercial paper	**1,238,716**	**–**	**–**	**–**	**–**	**–**	**–**	**1,238,716**
Japanese corporate bonds	**16,744,130**	**40,268,250**	**32,496,241**	**19,998,919**	**32,010,034**	**12,478,252**	**–**	**153,995,828**
Stocks	**–**	**–**	**–**	**–**	**–**	**–**	**$ 10,823**	**10,823**
Others:	**4,542,977**	**17,123,589**	**22,949,106**	**23,021,890**	**20,807,847**	**608,659**	**31,185,965**	**120,240,036**
Foreign bonds	**4,542,977**	**16,763,806**	**22,949,106**	**23,021,890**	**20,807,847**	**608,659**	**–**	**88,694,288**
Foreign stocks	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**$454,083,027**	**$537,857,839**	**$406,859,264**	**$322,899,295**	**$290,703,873**	**$61,347,735**	**$31,196,789**	**$2,104,947,824**

Balance by Type of Securities

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Japanese Government Bonds	**¥146,460,963**	¥155,891,563	**$1,761,406,651**
Japanese local government bonds	**5,658,837**	5,289,202	**68,055,767**
Commercial paper	**102,999**	364,959	**1,238,716**
Japanese corporate bonds	**12,804,753**	11,916,270	**153,995,828**
Stocks	**900**	900	**10,823**
Others	**9,997,959**	4,767,791	**120,240,036**
Total	**¥175,026,411**	¥178,230,687	**$2,104,947,824**

Years ended March 31

Average Balances

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Japanese Government Bonds	**¥148,115,419**	¥155,881,773	**$1,781,303,902**
Japanese local government bonds	**5,505,745**	5,761,489	**66,214,615**
Commercial paper	**314,284**	394,109	**3,779,724**
Japanese corporate bonds	**12,542,962**	10,914,713	**150,847,416**
Stocks	**900**	900	**10,823**
Others	**7,646,111**	2,927,861	**91,955,645**
Total	**¥174,125,423**	¥175,880,847	**$2,094,112,129**

Fund Management Status

As of March 31

	Millions of yen				Thousands of U.S. dollars
	2011		2010		**2011**
	Outstanding assets	%	Outstanding assets	%	Outstanding assets
Due from banks, etc.	**¥ 4,754,158**	**2.49**	¥ 4,180,529	2.17	**$ 57,175,691**
Call loans	**429,663**	**0.22**	261,649	0.13	**5,167,333**
Receivables under securities borrowing transactions	**4,483,396**	**2.35**	2,495,622	1.29	**53,919,375**
Money held in trust	**1,806,768**	**0.94**	1,015,355	0.52	**21,729,020**
Securities:	**175,026,411**	**91.75**	178,230,687	92.72	**2,104,947,824**
Japanese Government Bonds	**146,460,963**	**76.78**	155,891,563	81.10	**1,761,406,651**
Japanese local government bonds	**5,658,837**	**2.96**	5,289,202	2.75	**68,055,767**
Commercial paper	**102,999**	**0.05**	364,959	0.18	**1,238,716**
Japanese corporate bonds	**12,804,753**	**6.71**	11,916,270	6.19	**153,995,828**
Japanese stocks	**900**	**0.00**	900	0.00	**10,823**
Other securities	**9,997,959**	**5.24**	4,767,791	2.48	**120,240,036**
Loans	**4,238,772**	**2.22**	4,022,547	2.09	**50,977,418**
Deposits (to the fiscal loan fund)	**–**	**–**	2,000,000	1.04	**–**
Others	**6,143**	**0.00**	7,691	0.00	**73,879**
Total	**¥190,745,313**	**100.00**	¥192,214,083	100.00	**$2,293,990,543**

Note: Due from banks, etc., includes negotiable certificates of deposit, receivables under resale agreements, monetary claims bought, and Bank of Japan (BOJ) deposits. 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
	2011		2010		2011
	Outstanding assets	%	Outstanding assets	%	Outstanding assets
Japanese yen	**¥3,310,730**	**44.89**	¥2,542,081	68.44	**$39,816,365**
U.S. dollar	**2,792,459**	**37.86**	873,800	23.52	**33,583,402**
Euro	**1,271,739**	**17.24**	298,152	8.02	**15,294,519**
Others	**–**	**–**	–	–	**–**
Total	**¥7,374,930**	**100.00**	¥3,714,033	100.00	**$88,694,288**

Money Held in Trust

As of March 31

Assets by Type

	Millions of yen				Thousands of U.S. dollars
	2011		2010		2011
	Outstanding assets	%	Outstanding assets	%	Outstanding assets
Domestic stocks	**¥1,113,724**	**70.81**	¥773,668	82.04	**$13,394,162**
Domestic bonds	**174,694**	**11.10**	169,280	17.95	**2,100,956**
Foreign stocks	**284,198**	**18.07**	0	0.00	**3,417,898**
Total	**¥1,572,617**	**100.00**	¥942,949	100.00	**$18,913,017**

Assets by Currency

	Millions of yen				Thousands of U.S. dollars
	2011		2010		2011
	Outstanding assets	%	Outstanding assets	%	Outstanding assets
Japanese yen	**¥1,288,419**	**81.92**	¥942,948	99.99	**$15,495,119**
U.S. dollar	**201,602**	**12.81**	–	–	**2,424,561**
Euro	**28,095**	**1.78**	0	0.00	**337,892**
Others	**54,500**	**3.46**	–	–	**655,444**
Total	**¥1,572,617**	**100.00**	¥942,949	100.00	**$18,913,017**

Note: Cash and deposits are excluded.

Securitized Product Exposure

As of March 31, 2011, the Bank held the following securitized products and other products.

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

In addition, the Bank did not realize any actual losses on securitized products during the fiscal year ended March 31, 2011 due to write-downs or losses on sales.

As of March 31

1. Securitized Products

	Billions of yen			
	2011			
	Acquisition cost (A)	Net unrealized gains (losses) (B)	(B)/(A) (%)	Credit rating
Residential mortgage-backed securities (RMBS)	**¥1,084.3**	**¥18.3**	**1.69**	**AAA**
Subprime loan related	**–**	**–**	**–**	**–**
Collateralized loan obligations (CLO)	**94.7**	**3.5**	**3.72**	**AAA**
Other securitized products (Securitized products with credit card receivables as underlying assets)	**47.3**	**0.0**	**0.14**	**AAA**
Commercial mortgage-backed securities (CMBS)	**–**	**–**	**–**	**–**
Collateralized debt obligations (CDO)	**11.9**	**0.1**	**1.30**	**AAA**
Total	**¥1,238.3**	**¥22.1**	**1.78**	

	Millions of U.S. dollars			
	2011			
	Acquisition cost (A)	Net unrealized gains (losses) (B)	(B)/(A) (%)	Credit rating
Residential mortgage-backed securities (RMBS)	**$13,041**	**$220**	**1.69**	**AAA**
Subprime loan related	**–**	**–**	**–**	**–**
Collateralized loan obligations (CLO)	**1,139**	**42**	**3.72**	**AAA**
Other securitized products (Securitized products with credit card receivables as underlying assets)	**568**	**0.0**	**0.14**	**AAA**
Commercial mortgage-backed securities (CMBS)	**–**	**–**	**–**	**–**
Collateralized debt obligations (CDO)	**143**	**1**	**1.30**	**AAA**
Total	**$14,893**	**$266**	**1.78**	

Notes: 1. The underlying assets provided are only those from multiple debtors comprising securitized products.
2. No hedging activities against credit risks were made.
3. Underlying assets are located in Japan.
4. The numbers do not include securitized products that might be included in investment trusts. The same holds hereinafter.
5. Securitized products held as CDOs are all resecuritized 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 exposures with monoline insurance. In addition, the Bank has not extended credit to or executed credit derivatives transactions with any monoline insurers.

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

The Bank does not hold any securitized products that have as underlying assets securities issued by GSEs. Nor does the Bank hold any securities directly issued by these GSEs.

Ratios

Net Ordinary Income to Assets and Equity

Years ended March 31

	%	
	2011	2010
Net ordinary income to assets	**0.27**	0.25
Net ordinary income to equity	**5.87**	5.80

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

Net Income to Assets and Equity

Years ended March 31

	%	
	2011	2010
Net income to assets (ROA)	**0.16**	0.15
Net income to equity (ROE)	**3.52**	3.48

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 net assets at beginning and end of fiscal period) / 2] x 100

Overhead Ratio and Expense-to-Deposit Ratio

Years ended March 31

	%	
	2011	2010
Overhead ratio (OHR)	**70.40**	71.40
Expense-to-deposit ratio	**0.68**	0.68

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

Spread

Years ended March 31

	%	
	2011	2010
Yield on interest-earning assets	**1.11**	1.09
Interest rate on interest-bearing liabilities	**0.20**	0.24
Spread	**0.91**	0.84

Loan-Deposit Ratio

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Loans (A)	**¥ 4,238,772**	¥ 4,022,547	**$ 50,977,418**
Deposits (B)	**174,653,220**	175,797,715	**2,100,459,654**
Loan-deposit ratio (A)/(B) (%)	**2.42**	2.28	**2.42**
Loan-deposit ratio (average for fiscal period) (%)	**2.43**	2.24	**2.43**

Security-Deposit Ratio

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Securities (A)	**¥175,026,411**	¥178,230,687	**$2,104,947,824**
Deposits (B)	**174,653,220**	175,797,715	**2,100,459,654**
Security-deposit ratio (A)/(B) (%)	**100.21**	101.38	**100.21**
Security-deposit ratio (average for fiscal period) (%)	**99.09**	99.30	**99.09**

Others

Over-the-Counter Sales of Japanese Government Bonds

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Long-term bonds	¥ 84,372	¥ 94,120	$1,014,697
Medium-term bonds	253,713	382,707	3,051,273
Bonds for individuals	123,573	152,949	1,486,150
Total	¥461,658	¥629,777	$5,552,121

Domestic Exchanges

Years ended March 31

Remittances

	Millions of yen				Thousands of U.S. dollars
	2011		2010		2011
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Amount
Sent	13,937	¥12,917,217	9,994	¥10,777,302	$155,348,373
Received	23,412	9,715,296	12,741	7,482,213	116,840,613

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

Transfer Deposits

	Millions of yen				Thousands of U.S. dollars
	2011		2010		2011
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Amount
In-payment	1,197,860	¥55,567,603	1,215,514	¥59,349,149	$668,281,461
Transfers	97,914	52,221,009	93,288	52,372,599	628,033,789
Out-payment	125,914	50,583,116	130,615	56,384,340	608,335,732

Ordinary Remittances and Postal Orders (TEIGAKU KOGAWASE)

	Millions of yen				Thousands of U.S. dollars
	2011		2010		2011
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Amount
Ordinary remittances	2,384	¥44,200	3,772	¥59,714	$531,579
Postal orders (TEIGAKU KOGAWASE)	17,367	9,369	19,647	10,381	112,687

Foreign Exchanges

Years ended March 31

	Millions of U.S. dollars			
	2011		2010	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Foreign exchanges	**405**	**$1,303**	402	$1,037

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
	2011	2010	2011
Number of contracts (thousands)	**1,345**	1,279	**1,345**
Sales value	**¥172,714**	¥133,885	**$2,077,133**

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Number of investment trust accounts (thousands)	**604**	577	**604**
Net assets	**¥960,336**	¥980,930	**$11,549,441**

Note: Figures have been rounded off.

Other Businesses

As of March 31

Credit Cards

	Thousands	
	2011	2010
Cards issued	647	837

	Thousands	
	2011	2010
Cards issued (outstanding)	1,686	1,136

Mortgage Loans

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
New credit extended (as intermediary)	¥61,865	¥74,045	$744,018

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
New credit extended (as intermediary) (cumulative)	¥192,158	¥130,293	$2,310,985

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

Variable Annuity Policies

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Number of policies	8,022	6,216	8,022
Value of policies	¥40,866	¥31,359	$491,474

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Number of policies (cumulative)	18,024	10,002	18,024
Value of policies (cumulative)	¥89,840	¥48,974	$1,080,467

Capital Position

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

As of March 31

Account		Millions of yen 2011	2010
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	**894,828**	652,598
	Others	**–**	–
	Treasury stock (deduction)	**–**	–
	Advance on subscription for treasury stock	**–**	–
	Cash dividends to be paid	**(79,083)**	(74,100)
	Unrealized losses on other securities	**–**	–
	Subscription rights to new shares	**–**	–
	Goodwill equivalents (deduction)	**–**	–
	Intangible fixed assets accounted as a result of merger (deduction)	**–**	–
	Gains on securitization transactions (deduction)	**–**	–
	Total Tier I capital (total of above items) before deduction of deferred tax assets	**–**	–
	Deduction of deferred tax assets	**–**	–
	Total Tier I capital (A)	**8,612,031**	8,374,784
	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	**885**	494
	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)	**885**	494
Deductions	Deductions (C)	**–**	–
Total risk-based capital	Total risk-based capital (A)+(B)–(C)=(D)	**¥ 8,612,916**	¥8,375,279
Risk-weighted assets	On-balance-sheet items	**¥ 8,010,265**	¥5,806,212
	Off-balance-sheet items	**197,624**	20,986
	Operational risk equivalent / 8%	**3,303,018**	3,314,114
	Risk assets, etc. (E)	**11,510,909**	9,141,313
Capital adequacy ratio (D)/(E) (%)		**74.82**	91.62
Tier I capital ratio (A)/(E) (%)		**74.81**	91.61

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 AZSA LLC in accordance with the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 30. The independent audit did not involve auditing of financial accounting methods, but focused on the capital adequacy assessment process of the internal control system based on procedures agreed on by the Bank and KPMG AZSA LLC. The audit corporation reported these results privately to the Bank and did not issue an audit opinion regarding the capital adequacy ratio or the 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	
	2011	2010
(1) Capital requirement for credit risk:	**¥328,315**	¥233,087
Portfolios applying the standardized approach	**326,623**	231,169
Securitization exposures	**1,692**	1,917
(2) Capital requirement for operational risk:	**132,120**	132,564
The basic indicator approach	**132,120**	132,564
(3) Total capital requirements ((1) + (2))	**¥460,436**	¥365,652
(4) Capital adequacy ratio (%)	**74.82**	91.62
(5) Tier I capital ratio (%)	**74.81**	91.61

Notes: 1. Credit 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 (%)	Millions of yen 2011	Millions of yen 2010
1	Cash	0	¥ 0	¥ 0
2	Japanese government and the Bank of Japan	0	0	0
3	Foreign central governments and central banks	0–100	2,158	773
4	Bank for International Settlements, etc.	0	–	–
5	Non-central government public sector entities	0	0	0
6	Foreign non-central government public sector entities	20–100	3,037	2,089
7	Multilateral Development Banks	0–100	0	0
8	Local public corporations and other financial institutions	10–20	1,871	1,124
9	Japanese government agencies	10–20	18,596	18,520
10	Three regional public corporations	20	–	–
11	Financial institutions and Type I Financial Instruments Business Operators	20–100	45,692	31,330
12	Corporates	20–100	171,551	130,561
13	Small and midsize enterprises and individuals	75	–	–
14	Mortgage loans	35	–	–
15	Project finance (acquisition of real estate)	100	2,263	–
16	Past-due loans (three months or more)	50–150	0	–
17	Unsettled bills	20	–	–
18	Loans guaranteed by Credit Guarantee Corporation, etc.	0–10	–	–
19	Loans guaranteed by the Enterprise Turnaround Initiative Corporation of Japan (ETIC)	10	–	–
20	Investments in capital and others	100	64,548	37,786
21	Other than above	100	8,997	8,145
22	Securitization transactions (as originator)	20–100	–	–
23	Securitization transactions (as investor and other)	20–350	1,692	1,917
24	Assets comprised of asset pools (so-called funds) for which the individual underlying assets are difficult to identify	–	–	–
25	Capital deductions	–	–	–
	Total	–	¥320,410	¥232,248

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

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

As of March 31

Item		(Reference) Risk weight (%)	Millions of yen 2011	2010
1	Commitments cancelable automatically or unconditionally at any time	0	–	–
2	Commitments with an original maturity up to one year	20	¥ 18	¥ 4
3	Short-term trade contingent liabilities	20	–	–
4	Contingent liabilities arising from specific transactions	50	–	–
	(Guaranteed principal amounts held in some trusts under the transitional provisions)	50	–	–
5	NIFs and RUFs	50	–	–
6	Commitments with an original maturity over one year	50	54	54
7	Contingent liabilities arising from directly substituted credit	100	4,358	–
	(Secured with loan guarantees)	100	2,440	–
	(Secured with securities)	100	–	–
	(Secured with acceptances)	100	–	–
	(Guaranteed principal amounts held in some trusts outside of the transitional arrangements)	100	–	–
	(Credit derivative protection provided)	100	1,918	–
8	Sale and repurchase agreements and asset sales with recourse (after deductions)	–	–	–
	Assets sold with repurchase agreements or assets sold with right of claim (before deductions)	100	–	–
	Deductions	–	–	–
9	Forward asset purchases, forward forward deposits and party-paid shares and securities	100	0	–
10	Securities lending, cash or securities collateral provision, or repo-style transactions	100	1,468	63
11	Derivative transactions and long-settlement transactions	–	2,004	717
	Current exposure method	–	2,004	717
	Derivative transactions	–	2,004	717
	(1) Foreign exchange-related transactions	–	1,241	387
	(2) Interest rate-related transactions	–	761	319
	(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)	–	0	11
	Write-off of credit equivalent amount under master netting agreement (deduction)	–	–	–
	Long-settlement transactions	–	0	0
12	Unsettled transactions	–	–	–
13	Eligible liquidity facilities related to securitization exposure and eligible servicer cash advance facilities	0–100	–	–
14	Off-balance sheet securitization exposure other than the above	100	–	–
15	Capital deductions	–	–	–
	Total	–	¥7,904	¥839

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

Credit Risk

Outline of Credit Risk Management Policies and Procedures

See Page 41–44 (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 rating agencies provide ratings, the Bank selects the credit rating that yields the second smallest risk weight in accordance with the Capital Adequacy Notification.

Exposure		Rating agencies
Central governments and central banks	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Non-central government public sector entities		R&I, JCR, Moody's, S&P
Foreign non-central government public sector entities		Moody's, S&P, OECD
Multilateral Development Banks		Moody's, S&P
Japan Finance Organization for Municipalities		R&I, JCR, Moody's, S&P
Japanese government agencies		R&I, JCR, Moody's, S&P
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
Corporates	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

As of March 31

Exposure by Region and Industry, Past Due Loans for Three Months or More

		Millions of yen					
		2011					
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total	Past due loans for three months or more
Domestic	Agriculture, forestry, fisheries, and mining	–	–	–	–	–	–
	Manufacturing	¥ 223,210	¥ 879,764	–	¥ 7	¥ 1,102,981	–
	Utilities, information/communications, and transportation	184,203	5,435,927	–	5,911	5,626,043	–
	Wholesale and retail	148,299	145,119	–	–	293,419	–
	Finance and insurance	20,747,092 (44,760,936)	5,670,621	¥108,921	26,936	26,553,572 (44,760,936)	–
	Construction and real estate	35,331	539,780	–	0	575,112	–
	Services and goods rental/leasing	1,536,649	275,265	–	49,196	1,861,112	–
	Central and local government agencies	3,202,166	151,945,902	–	3,472	155,151,541	–
	Others	2,205,224	–	–	280,423	2,485,648	¥12
	Total	28,282,178 (44,760,936)	164,892,382	108,921	365,949	193,649,432 (44,760,936)	12
Foreign	Sovereigns	110	3,923,137	–	2,486	3,925,734	–
	Financial institutions	90,265	2,139,057	58,124	5,712	2,293,159	–
	Others	727,763	4,028,408	9,834	29	4,766,034	–
	Total	818,139	10,090,603	67,958	8,228	10,984,929	–
Grand total		29,100,317 ¥(44,760,936)	¥174,982,985	¥176,880	¥374,177	204,634,361 ¥ (44,760,936)	¥12

		Millions of yen					
		2010					
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total	Past due loans for three months or more
Domestic	Agriculture, forestry, fisheries, 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 (60,618,691)	5,694,954	¥51,018	69,883	22,864,009 (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	–
	Central 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 (60,618,691)	173,296,040	51,018	355,729	199,159,207 (60,618,691)	–
Foreign	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 ¥(60,618,691)	¥177,945,457	¥72,091	¥365,406	204,389,841 ¥ (60,618,691)	¥–

Notes: 1. Loans, 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. "Past-due loans for three months or more" means the payment of principal or interest is past due three months or more from the day following the scheduled payment date.
5. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

As of March 31

Exposure by Time to Maturity

	Millions of yen				
	2011				
Time to maturity	Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	**¥ 15,070,965** **(44,760,936)**	**¥ 38,105,712**	**¥ 4,329**	**¥ 73,178**	**¥ 53,254,186** **(44,760,936)**
> One and ≤ three years	**614,928**	**44,611,846**	**36,561**	**6,522**	**45,269,859**
> Three and ≤ five years	**534,163**	**33,739,315**	**42,526**	**4,461**	**34,320,466**
> Five and ≤ seven years	**1,304,009**	**26,636,577**	**32,519**	**915**	**27,974,022**
> Seven and ≤ ten years	**1,371,836**	**24,012,612**	**60,808**	**–**	**25,445,257**
Over ten years	**2,726,032**	**4,980,375**	**135**	**–**	**7,706,544**
No designated term	**7,478,380**	**2,896,545**	**–**	**289,099**	**10,664,025**
Total	**29,100,317** **¥(44,760,936)**	**¥174,982,985**	**¥176,880**	**¥374,177**	**204,634,361** **¥ (44,760,936)**

	Millions of yen				
	2010				
Time to maturity	Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	¥ 13,297,647 (60,618,691)	¥ 34,478,470	¥ 592	¥112,275	¥ 47,888,986 (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 ¥(60,618,691)	¥177,945,457	¥72,091	¥365,406	204,389,841 ¥ (60,618,691)

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.

Loan Write-Offs by Industry and Counterparty

There were no write-offs of loans during the fiscal year ended March 31, 2011 and 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

Balance at end of fiscal period

As of March 31

	Millions of yen	
	2011	2010
General reserve for possible loan losses	**¥229**	¥178
Specific reserve for possible loan losses	**–**	–
Loan loss reserve for specific overseas countries	**–**	–

Changes during fiscal period

Years ended March 31

	Millions of yen	
	2011	2010
General reserve for possible loan losses	**¥51**	¥66
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 90.

By Industry

Balance at end of fiscal period

As of March 31

	Millions of yen	
	2011	2010
General reserve for possible loan losses	**¥229**	¥178
Specific reserve for possible loan losses	**–**	–
Loan loss reserve for specific overseas countries	**–**	–

Changes during fiscal period

Years ended March 31

	Millions of yen	
	2011	2010
General reserve for possible loan losses	**¥51**	¥66
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 90.

Exposure by Risk Weight Classification

As of March 31

	Millions of yen			
	2011		2010	
Risk weight	Rated	Not rated	Rated	Not rated
0%	**¥165,823,575**	**¥62,227,898**	¥172,816,869	¥75,821,881
10%	**–**	**5,317,506**	–	5,005,099
20%	**9,011,157**	**–**	6,722,612	–
35%	**–**	**–**	–	–
50%	**2,365,409**	**–**	1,416,672	–
75%	**–**	**–**	–	–
100%	**1,313,575**	**3,336,173**	588,057	2,637,339
150%	**–**	**–**	–	–
350%	**–**	**–**	–	–
Others	**–**	**–**	–	–
Capital deductions	**–**	**–**	–	–
Total	**¥178,513,718**	**¥70,881,579**	¥181,544,212	¥83,464,319

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 types of eligible financial collateral used by the Bank.

- **Outline of Policies and Procedures for the Assessment and Management of Collateral**

The Bank uses the Simple Method stipulated in the Capital Adequacy Notification 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

	2011		2010	
Item	Exposure	%	Exposure	%
Eligible financial collateral	**¥57,538,460**	**88.74**	¥69,565,368	90.66
Guarantees	**7,300,287**	**11.25**	7,163,308	9.33
Total	**¥64,838,748**	**100.00**	¥76,728,677	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. Does not include exposure in 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, 2011, collateral provided for these derivative transactions amounted to ¥32,928 million.

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

• Policy on Credit 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 the same as other transactions.

Derivative Transactions and Long-Settlement Transactions

As of March 31

	Millions of yen					
	2011			2010		
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	**¥21,885**	**¥ 41,539**	**¥ 63,425**	¥12,337	¥22,062	¥34,399
Currency-related transactions:						
Currency swaps	**4,661**	**35,242**	**39,904**	0	5,785	5,785
Forward foreign exchange contracts	**38,191**	**35,359**	**73,550**	5,198	26,708	31,906
Long-settlement transactions	**18**	**0**	**18**	0	0	0
Total	**¥64,757**	**¥112,140**	**¥176,898**	¥17,535	¥54,555	¥72,091

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. Does not include exposure in 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 the credit risk amount, while related interest rate risks are included in the calculation of the 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	**2011**	2010
Mortgage loans	**¥107,607**	¥114,061
Auto loans	**14,179**	16,864
Leases	**22,191**	41,256
Accounts receivable	**10,928**	11,647
Corporate loans	**95,102**	91,352
Others	**11,942**	13,637
Total	**¥261,951**	¥288,819

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			
	2011		2010	
Risk weight	Balance	Capital requirements	Balance	Capital requirements
Less than 20%	**¥100,791**	**¥ 403**	¥ 98,147	¥ 392
20%	**161,160**	**1,289**	190,672	1,525
50%	**–**	**–**	–	–
100%	**–**	**–**	–	–
150%	**–**	**–**	–	–
Capital deductions	**–**	**–**	–	–
Total	**¥261,951**	**¥1,692**	¥288,819	¥1,917

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 45 (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 Book

Outline of Policies and Procedures for Equity Exposure in Banking Book

See Page 39–40 (Market Risk Management/Market Liquidity Risk Management).

See Page 41–44 (Credit Risk Management).

1. Balance Sheet Amounts and Fair Values

As of March 31

	Millions of yen			
	2011		2010	
	Balance sheet amount	Fair value	Balance sheet amount	Fair value
Exposure to listed equities, etc.	–	¥–	–	¥–
Exposure to investments or equities, etc. other than above	¥179,602	/	¥162,605	/
Total	¥179,602	/	¥162,605	/

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 investment trust etc. The same applies below.

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

Years ended March 31

	Millions of yen	
	2011	2010
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	
	2011	2010
Unrealized gains (losses) recognized on the balance sheets but not on the statements of income	¥1,388	¥1,394

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	
	2011	2010
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 Book

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

See Page 39–40
(Market Risk Management/Market Liquidity Risk Management).

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

See Page 39–40
(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	
	2011	2010
Amount of loss (A)	**¥1,186.0**	¥2,022.7
Capital (broad category, Tier I + Tier II) (B)	**8,612.9**	8,375.2
Loss-to-capital ratio (A)/(B) (%)	**13.77**	24.15

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, 2011

- **Shareholders' Meeting**
  - **Board of Directors**
    - Nomination Committee
    - Audit Committee
      - **Audit Committee Office**
    - Compensation Committee
    - **Representative Executive Officer**
      - **Executive Committee**
        - **Special Committees**
          - Compliance Committee
          - Risk Management Committee
          - ALM Committee
          - CSR Committee
      - **Internal Control Committee**
      - **Internal Audit Division**
        - Internal Audit Planning Department
      - **Compliance Division**
        - Compliance Management Department
        - Information Management Office
        - Operational Risk Management Office
      - **Corporate Administration Division**
        - Corporate Planning Department
        - Research Department
        - Credit Office
        - Financial Accounting Department
        - Public Relations Department
        - Risk Management Department
        - Human Resources Department
        - Legal Affairs Department
      - **Corporate Service Division**
        - General Administration Department
        - Operation Management Department
        - Operation Support Office
        - Operation Support Department
        - System Planning Department
        - System Development Department
        - System Operations Department
        - IT Strategy Office
        - **Administration Service Centers**
        - **Operation Support Centers**
        - **Seal Card Management Center**
        - **Data Centers**
      - **Investment Division**
        - Global Portfolio Management Department
        - Structured Finance Department
        - Global Securities Investment Department
        - Syndicated Loan Department
        - Treasury Administration and IT Department
      - **Marketing Division**
        - Marketing Planning Department
        - Marketing Promotion Department
        - Business Promotion Department
        - Channel Planning & Transaction Settlement Department
        - Asset Management Products Department
        - Loan Marketing Department
      - Regional Headquarters, Branches

Corporate Data

JAPAN POST BANK Co., Ltd.

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URL: http://www.jp-bank.japanpost.jp/en_index.html

JAPAN POST BANK

VEGETABLE OIL INK

This annual report was printed in Japan with vegetable-based ink.