



Super Regional & Super Global

Annual Report 2017

Year ended March 31, 2017



JAPAN POST BANK

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● Editorial Policy

In order to foster a deeper understanding of JAPAN POST BANK's corporate value among shareholders, investors and stakeholders, this report offers extensive information on management strategy as well as ESG (environmental, social, governance) and financial information.

● Period Covered

Operating performance for the period from April 1, 2016 to March 31, 2017. The report also includes some activities outside this period.

Special report 1

Assets as a source of value creation



Special report 2

The progress of value creation



Cautionary Statement

This report is not a solicitation for the shares or other securities of the JAPAN POST GROUP. Furthermore, this report contains forward-looking statements, such as the Bank's forecasts and targets. These statements were written according to the Bank's judgment based on information available, forecasts, and assumptions made at the time when the report was created; they therefore encompass risks and uncertainties, and are not a guarantee of future results. You should bear in mind that actual business results may differ from those described in this report, because they are subject to a wide range of risks and factors such as changes in the assumed conditions relating to the business environment, economic and business trends, changes in laws and regulations, the occurrence of major disasters, fluctuations in the value of assets held by the Bank, and the impact of rumor and hearsay. The Bank undertakes no obligation to publicly update or revise any forward-looking statements in light of new information or future events.

All figures and percentages in this report are rounded down for presentation, and therefore the totals may not be equal to the sum of the presented figures. The figures and percentages are information as of March 31, 2017, unless separately noted. Unless the context states otherwise, references in this report to "we," "us," "our," the "Bank" or similar terms are to JAPAN POST BANK.

Management Philosophy

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

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



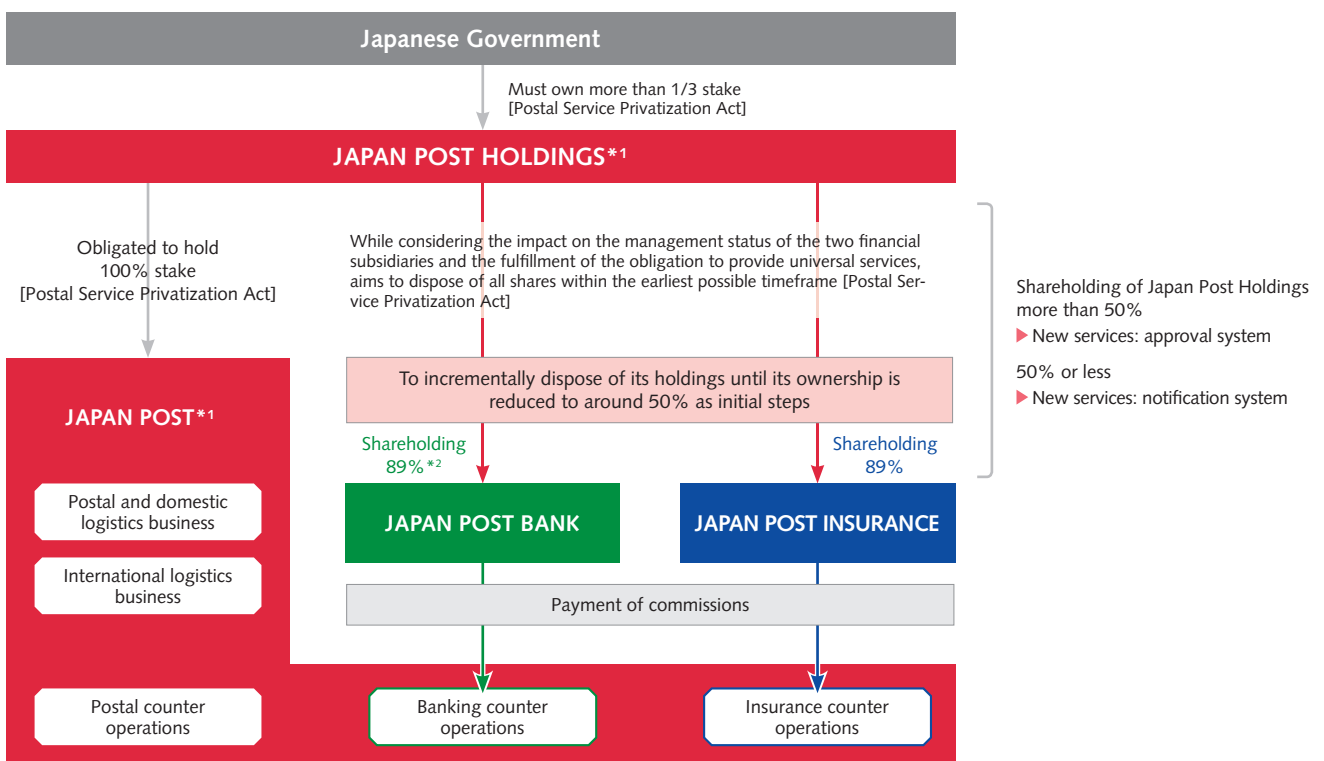
We work sincerely to improve our management and business operations in response to requests from customers and changes in the business environment.

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

Our Business

JAPAN POST BANK Co., Ltd. is engaged in banking operations as a member of the JAPAN POST GROUP. The principal operations comprise deposit-taking, syndicated loans and other lending, securities investment, domestic and foreign exchange, retail sales of Japanese government bonds and investment trusts as well as insurance products, intermediary services including mortgages, and credit card operations.

JAPAN POST GROUP



*1 Obligation to provide universal services

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

To Our Stakeholders

Leveraging Our Strengths and Aiming to Be a “New Bank”



Norito Ikeda
Director, President and
Representative Executive Officer

I have spent one year as the head of JAPAN POST BANK. During that period, I steered the execution of our Medium-Term Management Plan, strongly emphasizing to executives and employees the “do” component of the PDCA (plan, do, check, act) cycle. At the same time, setting aside the Bank’s operations to date, we held repeated deliberations on the Bank’s expected vision, and announced our directions in this regard on March 31, 2017. Going forward, we will devote ourselves to deploying specific strategies and tactics in order to enhance the Bank’s corporate value and realize growth for our stakeholders. I thank you for your continuous support.

July 2017

Keyword

.....



Performance
and
Forecasts



Business
Development for
Future Growth



Bolstering
Our Business
Foundation



Performance and Forecasts

Operating Performance for the Fiscal Year Ended March 31, 2017

Looking back on the economic environment in the fiscal year ended March 31, 2017, the economies of advanced countries continued to grow at a modest pace, particularly in Europe and the United States, while growth deceleration in China and other emerging-market economies showed signs of easing. Buoyed by the recovery in the global economy, the Japanese economy continued to grow modestly, recording positive growth for five consecutive quarters starting from the first quarter of 2016.

In financial and capital markets, domestic long-term interest rates remained around zero percent, as the Bank of Japan maintained its policy of monetary easing. In this environment, following the U.S. presidential election in November

2016, U.S. long-term interest rates rose, foreign exchange markets were characterized by yen depreciation and stock prices rose in Japan and the United States.

For the fiscal year ended March 31, 2017, net income decreased by ¥12.8 billion year on year, to ¥312.2 billion. In the adverse business environment with yen interest rates remained at a low level, we experienced a decrease in net interest income, which accounts for the majority of the Bank's gross operating profit. While net income decreased year on year, results were buoyed by such factors as an increase in net other operating income. Accordingly, net income exceeded our earnings forecasts of ¥300.0 billion by ¥12.2 billion, or 4.0%, for the fiscal year ended March 31, 2017.

Forecasts for the Fiscal Year Ending March 31, 2018

For the fiscal year ending March 31, 2018, we forecast net ordinary income of ¥490.0 billion and net income of ¥350.0 billion. In the adverse business environment characterized by such factors as persistent extremely low yen interest rates, etc., the Bank expects to

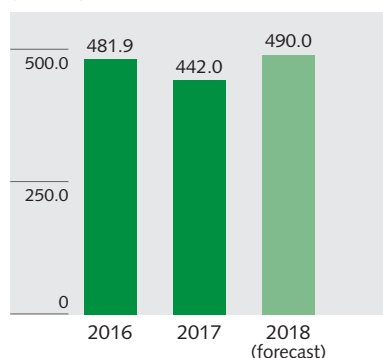
ensure stable profits by working to strengthen fee businesses and further promoting sophisticated and diversified investments, etc.

As a result of our general policy to provide for both an annual dividend and an interim dividend from our retained earnings, we set the total

dividends per share of common stock of ¥50 (including an interim dividend of ¥25) for the fiscal year ended March 31, 2017. For the fiscal year ending March 31, 2018, we intend to pay total dividends per share of common stock of ¥50 (including an interim dividend of ¥25).

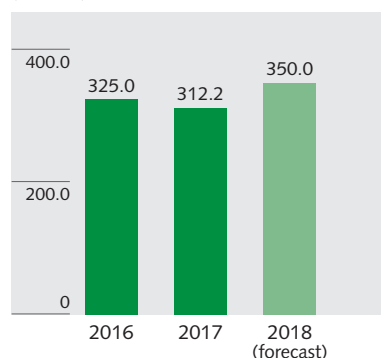
Net Ordinary Income

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



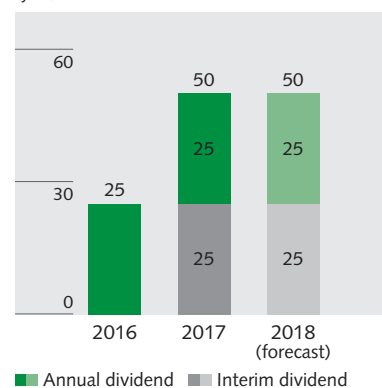
Net Income

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



Dividends per Share

For the fiscal year ended March 31, (yen)





Business Development for Future Growth

JAPAN POST BANK's Vision

Since having assumed the position of Director, President and Representative Executive Officer in April 2016, I have been taking a long-term perspective and searching for an answer to the question of how the Bank should look in its next stage, or 10 years hence. Unfortunately, numerous banks in Japan and overseas have varied and extensive business experience. Unless we are able to demonstrate our own unique presence, I feel a strong sense of danger about the possibility that we could become a “bank adrift,” having the licenses to operate but no distinguishing characteristics. With this in mind, I looked back on the signals that could be discerned from the experience gained during the 10 years since our privatization, and examined our strengths and weaknesses. On that basis, I quickly identified what needed to be addressed internally and externally to achieve sustainable growth as “directions for JAPAN

POST BANK” (Grand Design and its business development), and got to the stage of wanting to initiate action.

I believe the Bank's strengths are twofold. First, we have extensive operations covering locations throughout Japan and an extremely large base of account-holding customers. Second, we have in place an unparalleled financial infrastructure (backbone) to support transactions, comprising a nationwide post office network, ATM network and IT system, and back-office operations. Deliberations with the management team on how to leverage these strengths resulted in three pillars for business development: Customer-oriented financial services, Funds flow to regional communities, and Diversification and sophistication of investment management. Under this Grand Design, we are aiming to be a new type of financial institution which does not belong to conventional banks or securities companies by taking advantage of

our inherent strengths. I consider it my duty to aggressively drive our operations forward, using the aforementioned three pillars as our core engines for management. Meanwhile, taking into account such factors as the financial situation and the interest rate environment, in March 2017 we filed for regulatory approval on new services, including overdraft services linked to ordinary deposit accounts. At the same time, we withdrew a filing for regulatory approval concerning loans that are determined on the basis of separate negotiation for corporations and loans for individuals that we had made in September 2012. We decided that in order to work toward the new management pillars, we needed to concentrate our management resources—talented personnel, products and capital—and ensure that all our executives and employees are proceeding along the same path.

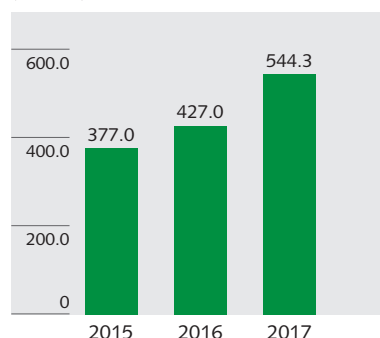
Three Pillars for Initiatives We Will Pursue Wholeheartedly

Pillar 1 Customer-Oriented Financial Services

To date, JAPAN POST BANK has provided traditional financial services, such as savings and remittances, throughout Japan. However, in the current low interest-rate environment customers are calling for more sophisticated financial services and looking for greater levels of convenience, like those offered through FinTech (the fusion of financial services and technology). We will respond to these needs with two clear measures:

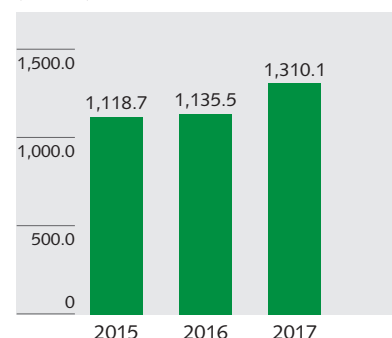
Investment Trusts Sales

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



Net Assets of Investment Trusts

As of March 31,
(¥ billion)



supporting asset building and expanding settlement services.

Looking first at supporting the formation of assets, we will focus efforts on the most important sectors to promote within the investment trust sales business. We will do this by rolling out simple and easy-to-understand products, such as the investment trust products offered by JP Asset Management Co., Ltd., to target customers who are considering investing for the first time, thereby developing sales to a broader and more far-reaching customer base. Second, we will strengthen initiatives involving the Nippon Individual Savings Account (NISA) and the installment-type NISA scheduled for introduction in January 2018. Third, we will enhance our lineup of products targeting people who have a good understanding of investments. Amid the trend from savings toward asset-building, customers' asset-building needs are clearly growing, and we have great expectations that this market will grow. For this reason, our sales efforts will include fostering stronger ties with JAPAN POST as we work to build the



investment trust sales business into a pillar of earnings.

Looking next at settlement services, we will promote the expansion of an immediate transfer service. As an initiative that the Bank is uniquely undertaking, on a trial basis we have begun conducting settlements of a prepaid Visa card called "mijica" in Sendai and Kumamoto. In addition to successively expanding the service region, in the future we will look to promote debit cards, which are already a mainstream settlement method overseas. Furthermore, aiming to enhance customer convenience, we have obtained regulatory approval of overdraft

services on June 19, 2017. This service enables the Bank to provide account overdraft lending services to help its customers to prepare for any sudden expenditures by automatically providing account overdraft loans to cover any shortfalls arising when, for example, automatic payment requests exceed the outstanding balance of deposit. In this manner, we will change our mentality toward taking further advantage of our financial infrastructure. We aim to expand fee businesses by implementing previous tactical measures, as well as putting additional effort into such areas as personal loan intermediation and the sale of variable annuities.

Pillar 2 Funds Flow to Regional Communities

JAPAN POST BANK's business development relates to locations and regions across Japan. As the Bank's ongoing existence would be impossible in the absence of regional development, we do our utmost to circulate the deposits resulting from the careful savings of people within communities into their regions. Thus, as our second pillar of business development, we are considering ways to contribute further to the vitalization of regional economies. In the future, we intend to step up our efforts

to provide funds to Japanese local governments and for private finance initiatives (PFIs), which involve the use of private-sector funds to invest in public facilities.

As another new fund circulation measure, in July 2016, we invested in "Kyushu Wide Area Reconstruction Assistance Investment Limited Partnership (fund)" in collaboration with regional financial institutions. This fund was established with the aim of restoration and reconstruction after the Kumamoto earthquakes.

This was the first example of a collective investment scheme approved by the Commissioner of the Financial Services Agency, based on the Postal Service Privatization Act, in which we were able to participate in investment with the understanding of regional banks.

In November 2016, we decided to make a joint investment in "Hokkaido Growth Companies Support Investment Limited Partnership" and "KFG Regional Enterprise Support Investment

Limited Partnership,” which were established with the aim of increasing the ability of regional companies to generate earnings.

In April 2017, we also decided to invest in “Chubu / Hokuriku Region Vitalization Investment Limited Partnership” to contribute toward regional economic development in the Chubu / Hokuriku region.

We will continue working proactively to participate in funds that invest in business succession and the entry of local companies into new businesses. However, these moves are based on a philosophy of

cultivating investees in collaboration with regional financial institutions (co-work, co-sourcing), and we will endeavor to strengthen communications in this respect.

We currently participate in regional funds as a fund investor (limited partner), but by leveraging the Bank’s characteristic neutrality, as a next stage, we are aiming to manage funds that engage in project selection and investment decisions. We have seconded some of the Bank’s young employees to fund management companies, where they are working to accumulate experience and obtain

know-how. Taking a step further, in addition to loans to regional companies (debt) we believe it will be useful to expand our provision of funds that have capital (equity) aspects. We plan to discuss such matters with fund participants and move forward in this area.

From an efficiency perspective, the sharing of operations and ATMs is another strategy that must not be overlooked. To this end, the Bank will strive to collaborate and build alliances with regional financial institutions and cultivate trust-based relationships.

Pillar 3 Diversification and Sophistication of Investment Management

The Bank engages in asset liability management (ALM) in response to the changing market environment. The Bank’s ALM strategy is based on the two pillars of a “base portfolio” that seeks to secure stable profits by investing mostly in Japanese government bonds, and a “satellite portfolio” that pursues excess returns predominantly through global asset allocation, such as in U.S. government bonds.

Due to persistent historically low yen interest rates, investment gains from the base portfolio are tapering off, and we have aggressively shifted toward global asset allocation. As a result, the satellite portfolio balance increased from ¥61.5 trillion as of March 31, 2016, to ¥70.4 trillion as of

March 31, 2017. In the satellite portfolio, we expanded our investment domains into alternative investments, such as private equity funds (investing in unlisted companies), hedge funds, and real estate funds. Also, in addition to our existing methods of hedging interest rate and foreign exchange risks, we have obtained regulatory

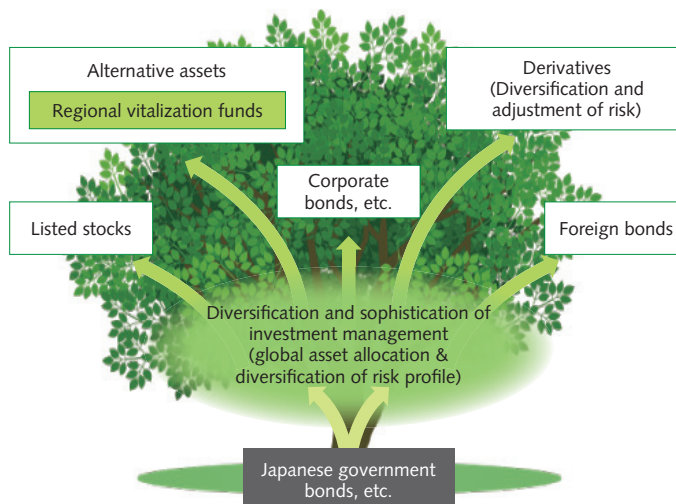
approval of methods of hedging credit risks. In this way, we are working to construct a portfolio that ensures stable earnings in the long term. Furthermore, we have been employing skilled external personnel as well as proactively cultivating internal human resources to strengthen our investment organization.

Trend of Satellite Portfolio Balance

(As of March 31)

2015	2016	2017
48.0 trillion	61.5 trillion	70.4 trillion

Diversification and Sophistication of Investment Strategy



Accelerating Our Expansion of ATM Installations

On April 1, 2017, we established the ATM Planning Department to promote our new ATM strategy. We are already introducing new compact ATMs, a process we began with a gradual rollout at convenience stores operated by FamilyMart, our alliance partner. We are also placing and relocating ATMs in other highly convenient locations.

With an eye to the increase in tourists visiting Japan, these compact ATMs can be operated in

16 languages. One recent highlight was the July 2017 installation of our ATMs within the new headquarters of Shonai Bank, located in the city of Tsuruoka in Yamagata Prefecture. We have also begun installing our ATMs at the branches of other financial institutions throughout Japan. We expect to respond to foreigner use, which is growing within Shonai Bank's service area.

In July 2017, we also began to gradually replace ZEROBANK

ATMs with compact ATMs. These ZEROBANK ATMs were installed by Ogaki Kyoritsu Bank at Circle K, Sunkus and some FamilyMart convenience stores in Gifu and Aichi prefectures. I should add that all our ATMs can be used with cash cards issued by regional banks throughout Japan, as well as by other allied financial institutions. We will continue to expand alliances with regional financial institutions in a variety of fields.



Bolstering Our Business Foundation

An Open and Broad Minded Board of Directors

JAPAN POST BANK's Board of Directors has 13 members, eight of whom are outside directors. We believe that having the Bank's management supervised by the Board where outside directors comprise a majority ensures an effective governance function.

The Board can make management decisions, enhancing open-minded and active exchanges of opinion with outside directors who have extensive knowledge in a variety of fields by using the materials eschewing complicated expressions at Board meetings.

Dialogue with Shareholders

Our shareholders consist mainly of Japanese, particularly individuals, who account for roughly 80% of our shares, if we exclude treasury stock and shares held by JAPAN POST HOLDINGS. The remaining 20% of our shareholders are overseas institutional investors. To build long-term relationships with shareholders and investors in Japan, we hold as many face-to-face meetings as can be allowed. Believing in the importance of providing detailed explanations of our businesses and future prospects, we hold briefings for

individual investors at various locations around Japan. At these briefing sessions, we field opinions on our strategies as well as numerous requests, such as making branches barrier-free.

We also engage in bilateral communications with overseas investors at regular intervals, as we aim for overseas investors to hold our shares over the long term. We do our best to reflect the valued opinions of these shareholders and investors in our management, in an effort to further increase our corporate value.

Thorough Compliance

We conduct management based on the understanding that compliance is essential to a company's operations. Among other activities, we work with JAPAN POST to

strengthen and enhance the internal control system. Going beyond mere compliance, we endeavor to enhance the awareness of our employees with respect to social

norms. We intend to create an environment in which compliance rules are deeply embedded within the organization and where employees check each other.

Corporate Social Responsibility (CSR) Initiatives

Looking back in history, it is clear that our mission is to fulfill an important social responsibility. We position as our CSR the roles

of fulfilling customers' requests and society's needs. To realize these aims, we have established four CSR themes—reliable

service, environment, diversity management and education—and we are undertaking initiatives in response to these requirements.

Human Resource Cultivation

At JAPAN POST BANK, human resource cultivation goes beyond lectures; we believe hands-on experience in the Bank's operations is of utmost importance. To move the Bank forward to the next stage, we need to raise each employee's level of specialization, and it is important for each member to have a field of expertise in which he or she truly stands out. We want employees to understand needs that begin at the customer

level, and then gradually build an awareness of how to resolve difficult operations. In the process, employees sometimes get stuck when operations do not progress smoothly, and some efforts end in failure. Many times, superiors have to cover for their juniors' mistakes. However, the experience of making mistakes leads to the accumulation of expertise and builds confidence, and individual employees grow as the process is repeated. In order to

take on the world's unknowns, I believe the management team plays an important role in cultivating internal communications and boosting motivation and loyalty. By harnessing the strengths of our individual people and bringing our around 13,000 employees into alignment, I am convinced that we can win out, no matter how difficult the competitive environment.

Supporting Women in the Workforce

JAPAN POST BANK has set the numerical target of lifting the percentage of women in management employees to 14% or more by April 1, 2021. (The percentage reached 11.5% as of April 1, 2017.) It is our aim that we encourage female employees to actively participate and advance in the workplace. Work Style Reform is essential to promoting support

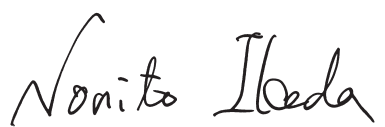
for women in the workplace. Unfortunately, there is a certain number of female employees that do not aspire to becoming managers or give up the chance to advance their careers because conventional working customs make them feel uneasy about maintaining work-life balance. To solve this problem, the Bank as a whole is working to establish

a structure that promotes work efficiency and to foster an inclusive corporate culture. However, these efforts are still at the halfway mark. We will strive even more to increase the number of female employees who express the desire to become managers, which in turn will lead to achievement of the target.

In Conclusion

I have described a bank that leverages its strengths and outlined our vision for the future. Particularly as these goals are long-term, I consider it is important to set milestones and ensure that we successfully surmount the issues. I recognize that altering the course of our huge organization overnight is impossible, but I sense that we

are making gradual and steady forward progress. To build the robust future for JAPAN POST BANK that has been entrusted to us by our customers, shareholders and other stakeholders, we will make an unrelenting management effort. I thank you for your continuous support and understanding.



Norito Ikeda

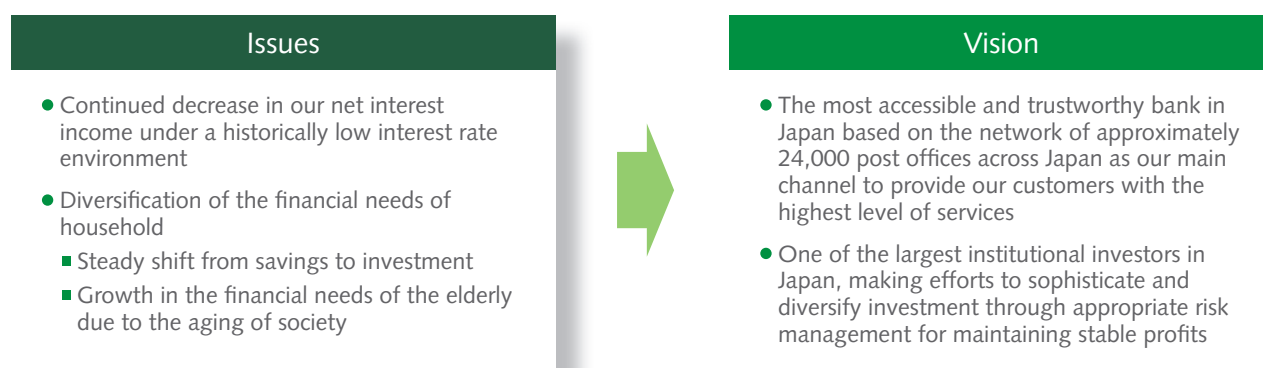
Director, President and Representative Executive Officer



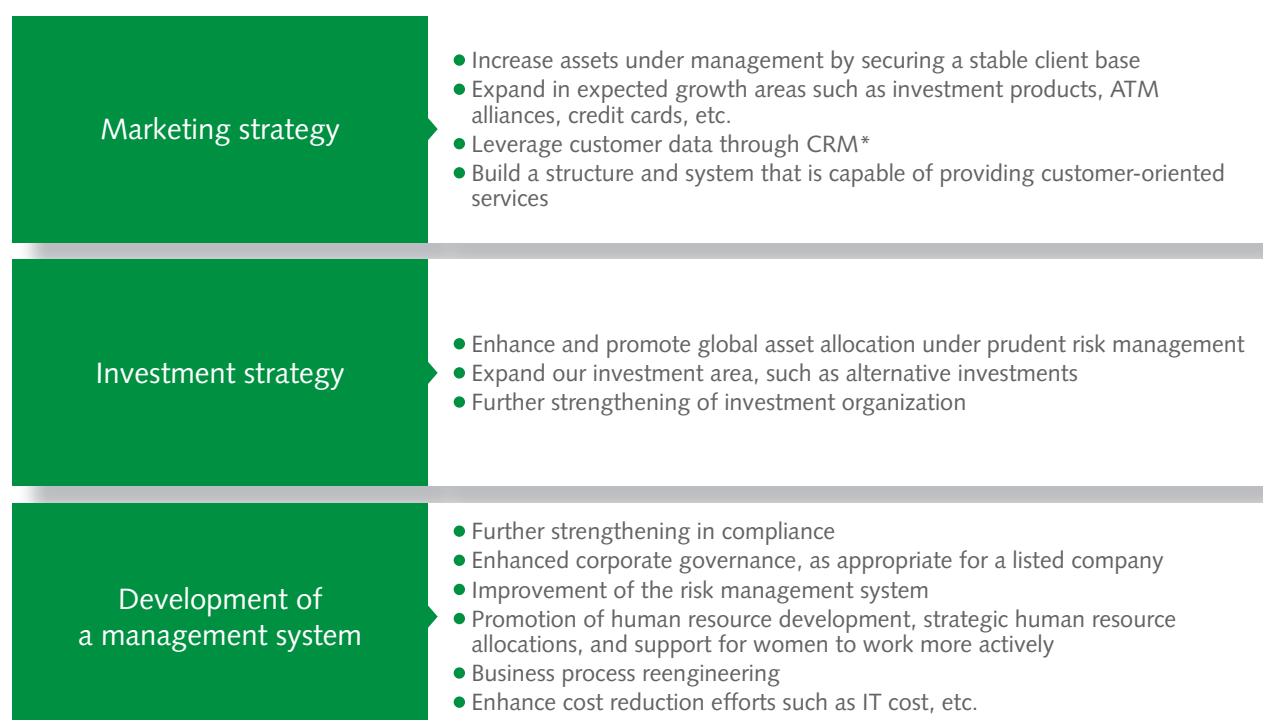
Overview of the Medium-Term Management Plan

JAPAN POST GROUP is working to carry out its Medium-Term Management Plan: New JAPAN POST GROUP Network Creation Plan 2017, which covers the three-year period from April 1, 2015 to March 31, 2018. We aim to be “the most accessible and trustworthy bank in Japan,” by using the network of approximately 24,000 post offices across Japan as our main channel to provide our customers with the highest level of service. In addition, we are enacting a variety of strategies and measures aimed at maintaining stable profits through the advancement of sophisticated and diversified investments through appropriate risk management as one of the largest institutional investors in Japan.

Vision



Major Initiatives



* CRM: Customer Relationship Management

Financial Targets (FY2018/3) and Dividend Policy

Note: Formulated and announced in April 2015

Financial Targets in FY2018/3

<ul style="list-style-type: none"> Assets under management (April 1, 2015 to March 31, 2018) 	Deposits: (+) ¥3 trillion* ¹ Investment products: (+) ¥1 trillion* ²
<ul style="list-style-type: none"> Net ordinary income 	¥480 billion
<ul style="list-style-type: none"> Net income 	¥330 billion
<ul style="list-style-type: none"> The reduction of non-personnel expenses (compared to FY2015/3) 	Reduction of ¥50 billion or more

*1 Including accrued interest and excluding deposits relating to funds paid by us to acquire shares of our common stock held by JAPAN POST HOLDINGS Co., Ltd.

*2 Investment products = investment trusts + variable annuities

Dividend Policy

- Compelling/Stable Shareholder Return

Dividend payout ratio: approx. 50% or more

Business Strategies

JAPAN POST BANK is pursuing the following two points under the “Super Regional & Super Global” business model.

Super Regional

A Grass-Roots Approach to Serve Customers in Every Corner of Japan

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

Super Global

Comprehensive Asset Management in the Enormous International Financial Market

Aiming to maintain stable profits by promoting diversification and sophistication of investments through appropriate risk management in the enormous international financial market “as one of the largest institutional investors in Japan”

Regulatory approval of new services

With the aim of further improving corporate value and based on the three pillars of: 1) customer-oriented financial services; 2) funds flow to regional communities; and 3) diversification and sophistication of investment management, we were permitted to offer new services on June 19, 2017.

Details of application for approval of new services

I. Overdraft Services

Application for approval related to services to provide automatic overdraft of the insufficient amount in cases such as an automatic transfer payment exceeding the account balance, as part of our settlement services

II. Operations Related to Cooperation with Regional Financial Institutions, Etc.

Application for approval regarding services incidental to the operations JAPAN POST BANK is able to carry out under the Postal Service Privatization Act, such as sharing administrative work with regional financial institutions

III. Market Investment-Related Business

Comprehensive application for approval concerning market investment-related business such as CDS (credit default swaps) in order to promote the sophistication and diversification of investments

* We withdrew the filing for regulatory approval concerning loans for individuals, etc., made on September 3, 2012.

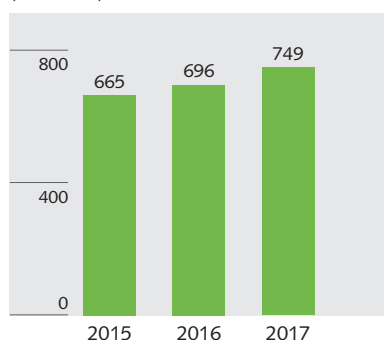
Providing high-quality financial products and services focused on customers

In order to support our customers in building assets, we are broadening our lineup of asset management products and bolstering our consulting services based on the life plans, investment experience, and financial assets of our customers. We will strive through these efforts to establish and reinforce business operations that focus on customers (fiduciary duty).

Number of Investment Trust Accounts

As of March 31,

(thousands)

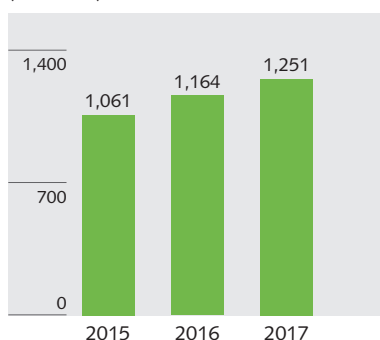


Investment Trusts Sales

Number of Contracts

For the fiscal year ended March 31,

(thousands)



Various pamphlets

We are strategically placing ATMs in highly convenient locations. Beginning in January 2017, we introduced compact ATMs that are equipped to handle 16 languages, among other features, and are expanding ATM installation at FamilyMart convenience stores, which are located nationwide.

Diversification and Sophistication of Investment Management

With the goal of bolstering profitability while maintaining stable earnings by promoting more sophisticated and diversified investment under prudent risk management, we are focused on diversifying our revenue sources through investment in alternative assets and diversification in global asset allocation.

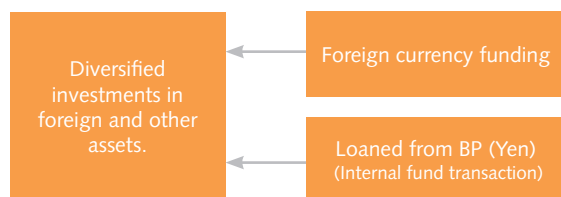
Concrete actions

- We are working to improve our operational and risk management system by bolstering human resources and hiring specialists from outside the Bank.
- We are broadening the scope of investment and promoting more sophisticated investment, with the organization restructured for each asset class, centered on the most qualified investment professionals.
- Alongside the promotion of alternative investments, including private equity, hedge funds, and real estate funds, we are working to improve risk controls and diversify revenue sources through the use of derivatives.
- For managers conducting business based on specialized and advanced market-sector knowledge, we are introducing a performance-based remuneration system based on professional salary guidelines.

ALM (Asset Liability Management)

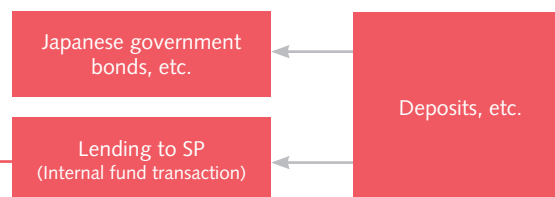
Satellite Portfolio (SP)

The satellite portfolio is managed with the aim of accumulating profit, including in the form of capital gains by taking credit and market risks through diversified investment in foreign and other assets. The satellite portfolio is primarily financed through an internal loan from the base portfolio.



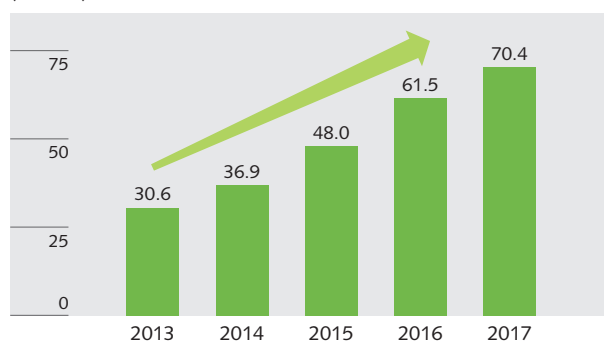
Base Portfolio (BP)

The base portfolio is managed with the aim of ensuring stable income by taking interest rate risks, especially in Japanese government bonds.



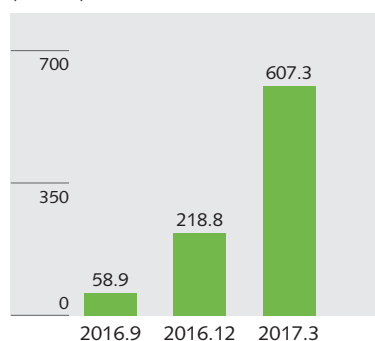
Balance of the Satellite Portfolio

As of March 31,
(¥ trillion)

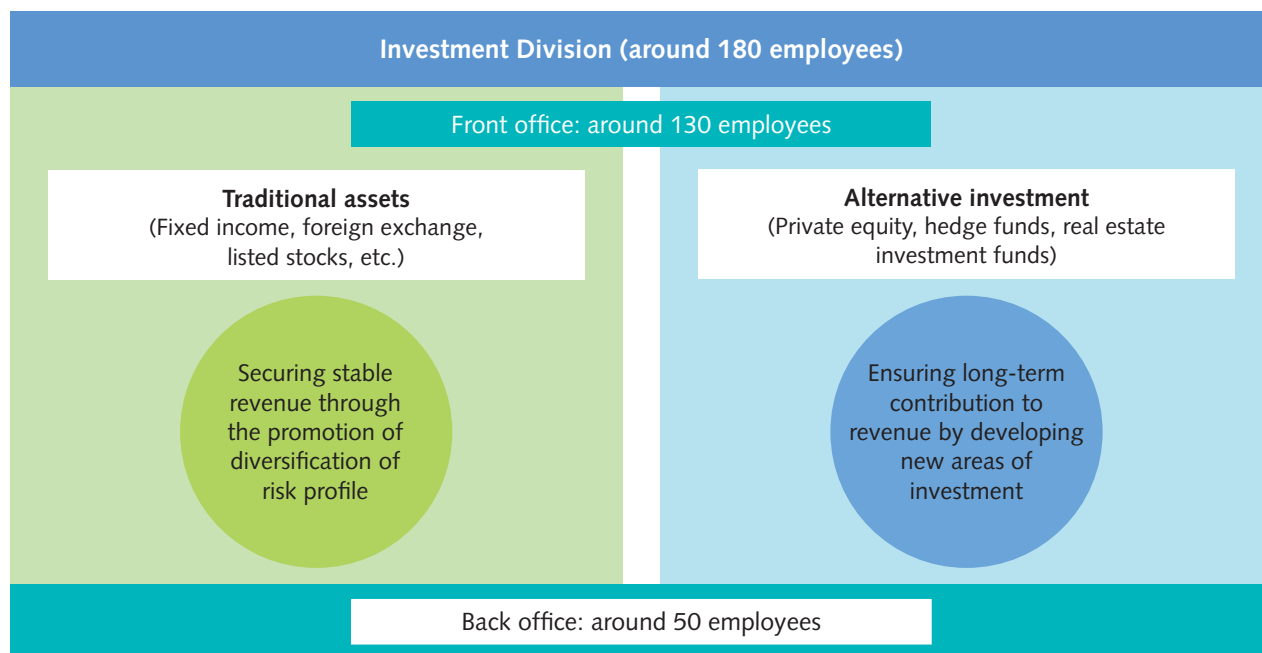


Alternative Investments

(¥ billion)



Organization

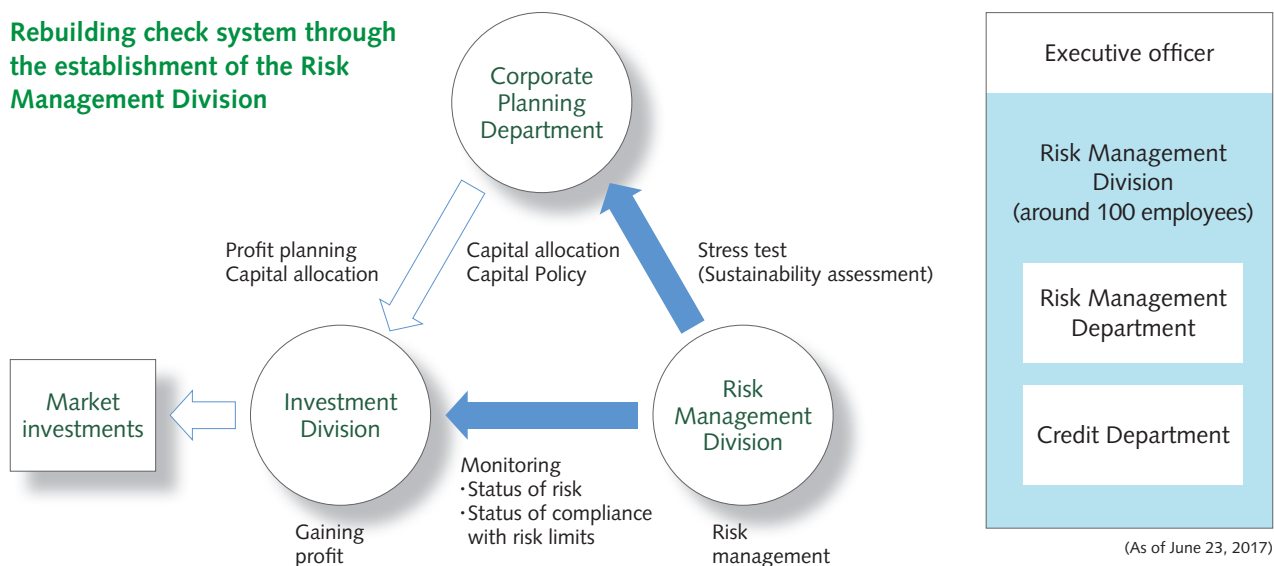


Alternative investment: new methods of investment and targets for investment outside of the more traditional assets
 Private equity: unlisted stock
 Hedge funds: funds focused on profit through the use of various trading methods

(As of June 23, 2017)

In January 2016, we established the Risk Management Division and appointed a dedicated executive officer in order to upgrade our risk management capabilities in response to the diversification and sophistication of our investments.

Rebuilding check system through the establishment of the Risk Management Division



Risk Management Structure Upgrades

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

Increased Level of Investigation System Sophistication

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

Financial Highlights

Statements of Income

For the fiscal year ended March 31,	Millions of yen					Thousands of U.S. dollars**
	2017	2016	2015	2014	2013	2017
Gross operating profit:	¥1,410,256	¥1,452,082	¥1,634,774	¥1,568,715	¥1,624,329	\$12,570,251
Net interest income*1	1,223,546	1,361,065	1,540,799	1,470,268	1,532,152	10,906,018
Net fees and commissions	86,619	91,139	89,251	92,690	88,126	772,075
Net other operating income (loss)	100,091	(122)	4,723	5,756	4,050	892,156
General and administrative expenses*2	1,056,168	1,066,184	1,114,775	1,096,028	1,111,521	9,414,108
Operating profit (before provision for general reserve for possible loan losses)	354,087	385,897	519,998	472,687	512,808	3,156,142
Net ordinary income	442,085	481,998	569,489	565,095	593,535	3,940,507
Net income	312,264	325,069	369,434	354,664	373,948	2,783,351

Balance Sheets

As of March 31,	Millions of yen					Thousands of U.S. dollars**
	2017	2016	2015	2014	2013	2017
Total assets:	¥209,568,820	¥207,056,039	¥208,179,309	¥202,512,882	¥199,840,681	\$1,867,981,288
Securities	138,792,448	144,076,834	156,169,792	166,057,886	171,596,578	1,237,119,603
Loans	4,064,120	2,542,049	2,783,985	3,076,325	3,967,999	36,225,333
Total liabilities:	197,788,782	195,547,888	196,549,097	191,048,358	188,843,123	1,762,980,504
Deposits	179,434,686	177,871,986	177,710,776	176,612,780	176,096,136	1,599,382,174
Total net assets	11,780,037	11,508,150	11,630,212	11,464,524	10,997,558	105,000,783

Key Indicators and Others

As of and for the fiscal year ended March 31,	2017	2016	2015	2014	2013
Net income to assets (ROA)*3	0.14%	0.15%	0.17%	0.17%	0.18%
Net income to equity (ROE)*4	2.68%	2.80%	3.20%	3.15%	3.59%
Expense-to-deposit ratio*5	0.58%	0.59%	0.62%	0.61%	0.63%
Capital adequacy ratio (non-consolidated, domestic standard)*6	22.22%	26.38%	38.42%	56.81%	66.04%
Tier I capital ratio	—	—	—	—	66.03%
Number of employees*7	12,965	12,905	12,889	12,963	12,922
Number of outlets	24,060	24,113	24,167	24,208	24,215
Number of ATMs	27,561	27,314	27,215	26,698	26,669

Notes :1. Net interest income is calculated by deducting interest expenses (excluding the expenses in relation to money held in trust) from interest income.

2. General and administrative expenses exclude non-recurring losses.

3. ROA = net income / [(sum of total assets at the beginning and the end of the fiscal year) / 2] x 100

4. ROE = net income / [(sum of total net assets at the beginning and the end of the fiscal year) / 2] x 100

5. Expense-to-deposit ratio = (general and administrative expenses / average deposit balances) x 100

6. Capital adequacy ratios (non-consolidated, domestic standard) are calculated based on standards stipulated by Article 14-2 of the Banking Act for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments (Notification No. 19, the Financial Services Agency of Japan, 2006). The Bank has applied Japanese domestic Basel III capital adequacy standards since the year ended March 2014.

7. The number of employees excludes employees assigned to other companies by the Bank but includes employees assigned to the Bank by other companies.

The figures do not include part-time employees.

8. The U.S. dollar amounts have been translated at the rate of ¥112.19 to U.S.\$1.00.

Asset Management Status (as of March 31, 2017)

Short-term investments
and others

¥9.3 trillion 4.4%

Due from banks, etc.

¥51.2 trillion 24.7%

Loans

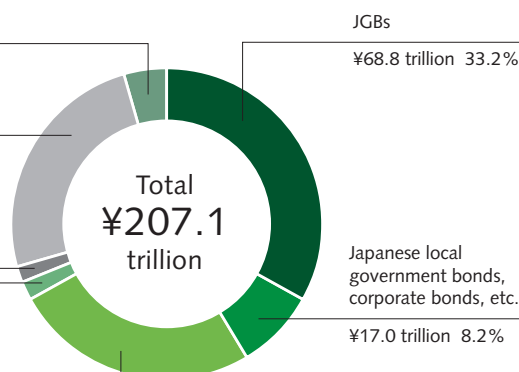
¥4.0 trillion 1.9%

Money held in trust
(stocks, JGBs, etc.)

¥3.8 trillion 1.8%

Foreign securities, etc.

¥52.9 trillion 25.5%



Notes:

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

Credit Rating

(As of March 31, 2017)

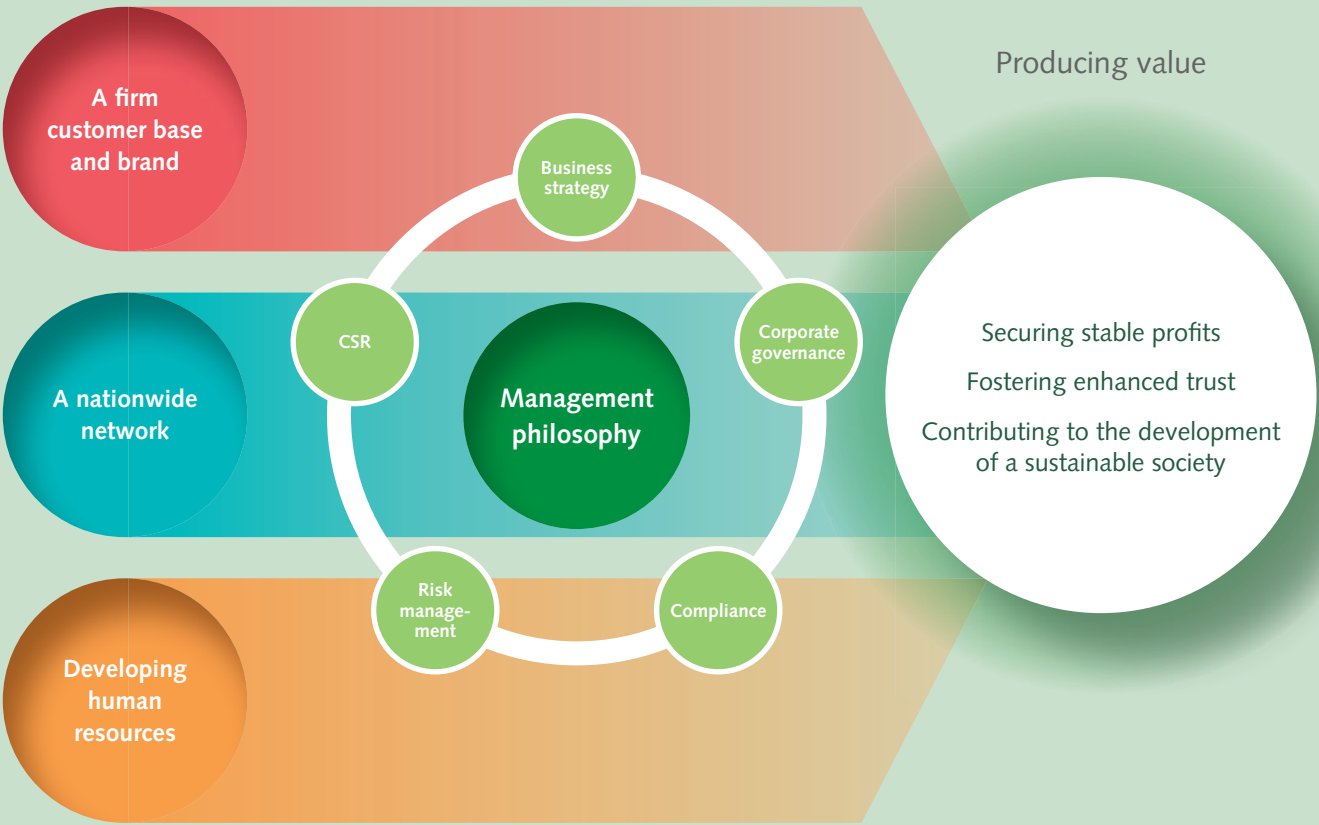
	Long-term	Short-term
Moody's	A1	P-1
S&P	A+	A-1

Special report 1: Assets as a source of value creation

Together with our efforts with our customers, JAPAN POST BANK remains focused on the creation of value for our stakeholders, with our business activities based firmly in the management philosophy dedicated to a firm customer base and brand, expanding a nationwide network, and developing human resources.

The process of value creation at JAPAN POST BANK

Management assets as a source of value creation Business activities

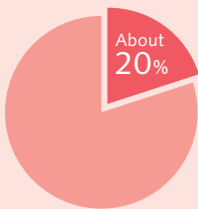




A firm customer base and brand

A top-class customer base and an accessible and trustworthy brand

- Estimated share of JAPAN POST BANK Japanese household deposits



* Individual account savings at JAPAN POST BANK (as of the end of March 2016) divided by household accounts in the Bank of Japan's "Flow of Funds Accounts" (as of the end of March 2016).

- Total deposits of major banks around the world

(US\$ million)

Mitsubishi UFJ Financial Group Inc.	1,622,887
JAPAN POST BANK Co., Ltd.	1,599,382
JP Morgan Chase & Company	1,375,179
Wells Fargo & Company	1,306,079
HSBC Holdings Plc	1,272,386
Bank of America Corporation	1,260,934
Mizuho Financial Group Inc.	1,164,778
Sumitomo Mitsui Financial Group	1,156,173
Citigroup Inc.	929,406
BNP Paribas	814,843
Banco Santander	735,225
Deutsche Bank	585,323

Notes 1: Japanese banks as of March 31, 2017, others as of December 31, 2016. Calculated based on foreign exchange rates as of the respective fiscal year-end.

2: Negotiable certificates of deposits are included in the deposits of Japanese banks.

Source: Created from published materials

JAPAN POST BANK has built a top-class customer base, with deposit accounts for about 120 million customers and a deposit balance of about ¥179.4 trillion.

With a history extending back more than 140 years, not only have we built a relationship founded on trust with our customers, but we have played our part as an indispensable part of the country's infrastructure by providing universal services at post offices and ATM networks covering every corner of the country. We remain committed to contributing to the lives of customers around the country and developing businesses focused on meeting the needs of the times.

- Total deposits
¥179.4 trillion

Expanding investment trust sales

We are focused on investment trust sales, noting their contribution to the flow from savings to asset building. As a result of our efforts, transactions continue to expand steadily, with investment trust sales improving from about ¥430 billion in the fiscal year ended March 31, 2016 to about ¥540 billion in the fiscal year ended March 31, 2017, and the net asset balance improving from about ¥1.1 trillion to about ¥1.3 trillion. Following the policy of a customer-oriented business, we will continue to work to improve CE* by focusing on providing well-designed proposals from consulting marketing personnel.

* CE: customer experience

- Investment trusts sales
¥544.3 billion

- Investment trust sales locations

1,315
(As of July 1, 2017)

1,415

* We plan 100 new locations in 2017, with 13 in July and 87 in October

- Investment trust introductory locations

805
(As of July 1, 2017)

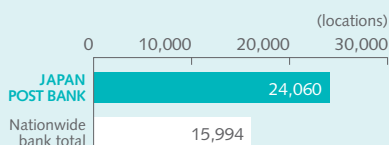
16,686

* In July 2017, we plan to expand investment trust introductory locations, which introduce customers interested in learning more about investment trusts to either services offered by JAPAN POST BANK or investment trust sales locations.

A nationwide network

A nationwide network covering a wide range of customers

• A comparison of domestic locations



Source: The analysis of financial statements of all banks (covering bank capital, number of outlets, number of registered bank agents, and number of executives and employees) on the Japanese Bankers Association's website (as of the end of September 2016).

Branches

Nationwide 234

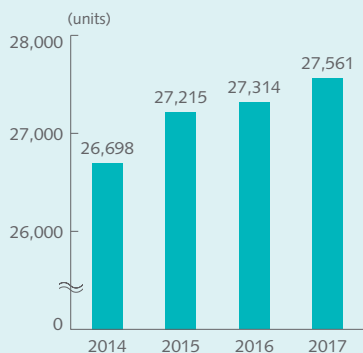
Agencies

Post offices 19,869

Contracted post offices 3,957

• ATM installation

As of March 31,



We offer an unparalleled network in Japan, including 234 directly managed locations, 23,826 post offices, and 27,561 ATMs. Our high degree of coverage in locations all around the country contributes substantially to the convenience of our customers. Moreover, this nationwide network allows us close contact with our customers, one of our key strengths. With the goal of becoming the most accessible and trustworthy bank, we intend to continue to promote measures aimed at expanding our network, including the strategic installation of ATMs and tie-ups with local financial institutions.

Installation of compact ATMs

Since January 2017, we have downsized our ATMs, allowing us to place these even more compact ATMs into especially narrow spaces. We have started installing these compact ATMs in FamilyMart locations nationwide. These compact ATMs have additional functions, including the ability to offer services in 16 languages, in order to assist the increasing number of overseas tourists visiting Japan.



Compact ATMs with services in 16 languages

ATM services provided in 16 languages (Japanese, English, Chinese (simplified characters), Chinese (traditional Chinese characters), Korean, Thai, Malay, Filipino, Indonesian, Vietnamese, French, German, Portuguese, Spanish, Russian, and Arabic).

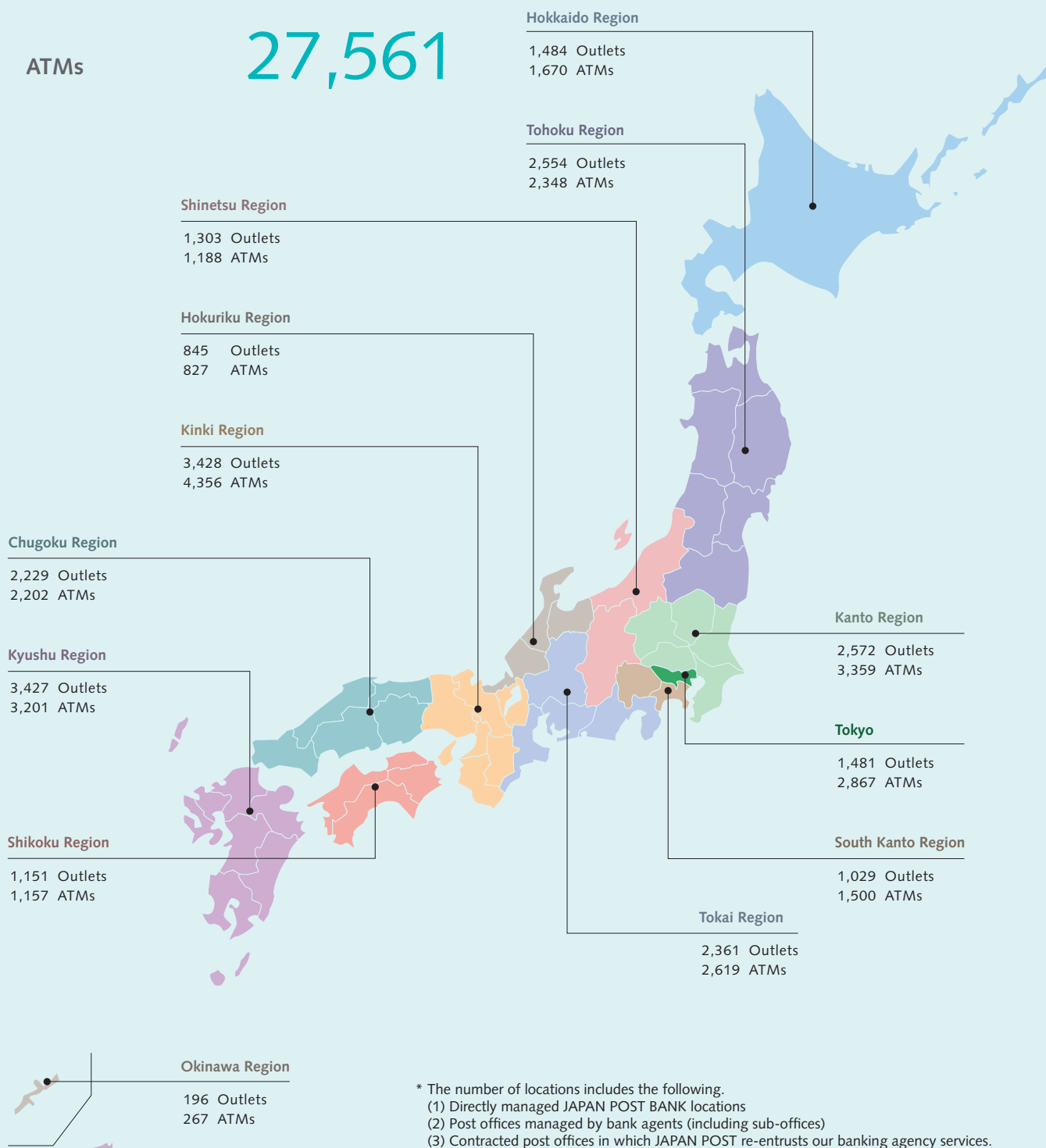
Deeply in Tune with Customers in Every Corner of Japan

• National network

(As of March 31, 2017)

Number of Domestic Outlets **24,060**

ATMs **27,561**



Developing Human Resources

People who support a continuously evolving organization

- Consulting marketing personnel
For the fiscal years ended/ending March 31,

2015: around 900 employees

2016: around 1,000 employees

2017: around 1,100 employees

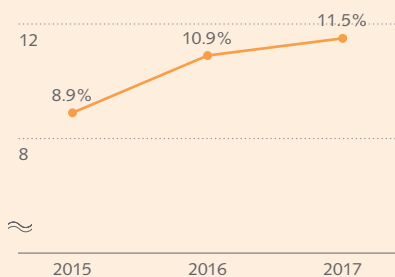
2018: targeting a system of

1,300 employees

Promoting the advancement of female managers

- (Reference) An ongoing rise in the ratio of women in managerial positions

As of April 1,



We are committed to the development of our human resources. In addition to the various types of training conducted in accordance with an employee's title and duties, we have established a mentoring system and a system to support self-development, including toward acquiring job qualifications.

We intend to put further focus on the development of our human resources in order to "provide high-quality customer-oriented financial services," "facilitate funds flow to regional communities," and "promote increasingly diversification and sophistication of investment management," as the three pillars of our business development.

Fostering human resources with an eye toward future business development

Customer-Oriented Financial Services

We are reinforcing our structure on both the quantitative and qualitative fronts in order to meet the diverse needs of our customers and provide stronger advice on asset building.

Strategies moving forward

- Further enhancements in training
- Provide enhanced support for the acquisition of job qualifications

Funds Flow to Regional Communities

We will contribute to the vitalization of regional economies by circulating the funds of regional customers to those same communities.

Strategies moving forward

- We will promote increased know-how through dispatching our employees to fund management companies.

Diversification and Sophistication of Investment Management

Bolstering our business foundation by pursuing increasingly sophisticated and diversified investments

Strategies moving forward

- Dispatching to domestic and overseas companies and supporting overseas studies
- Promoting employee development through human resources with in-depth experience and professional knowledge

Fostering human resources as the next-generation foundation

With the goal of bolstering customer service and promoting the sustainable development of the business, we are carefully fostering human resources for next-generation management.

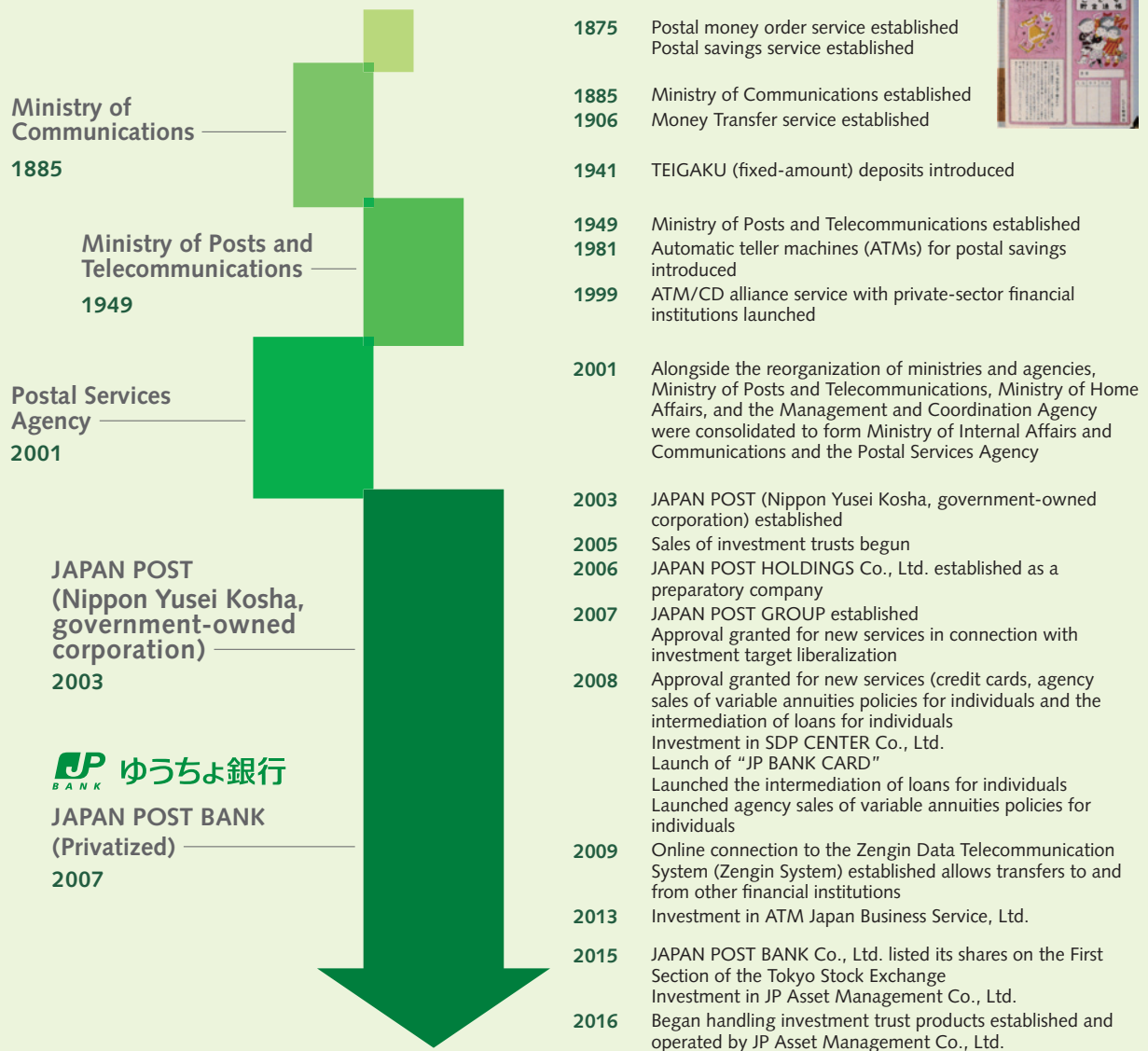
Strategies moving forward

- We are introducing some selective programs to our best employees and executives.

Special report 2: The progress of value creation

Ongoing creation of value

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



April 2016 – March 2017

- April JAPAN POST HOLDINGS Co., Ltd. and FamilyMart Co., Ltd. reached a basic agreement on a business tie-up
Deposit limit* revised to ¥13 million
- May Obtains new credit ratings
- July Becomes participant in "Kyushu Wide Area Reconstruction Assistance Investment Limited Partnership"
- November Becomes participant in "Hokkaido Growth Companies Support Investment Limited Partnership"
Increases participation in "KFG Regional Enterprise Support Investment Limited Partnership"
- January Issuance of regional prepaid VISA card, "mijica"
* In principle, the amount that can be accepted from a single depositor is restricted.

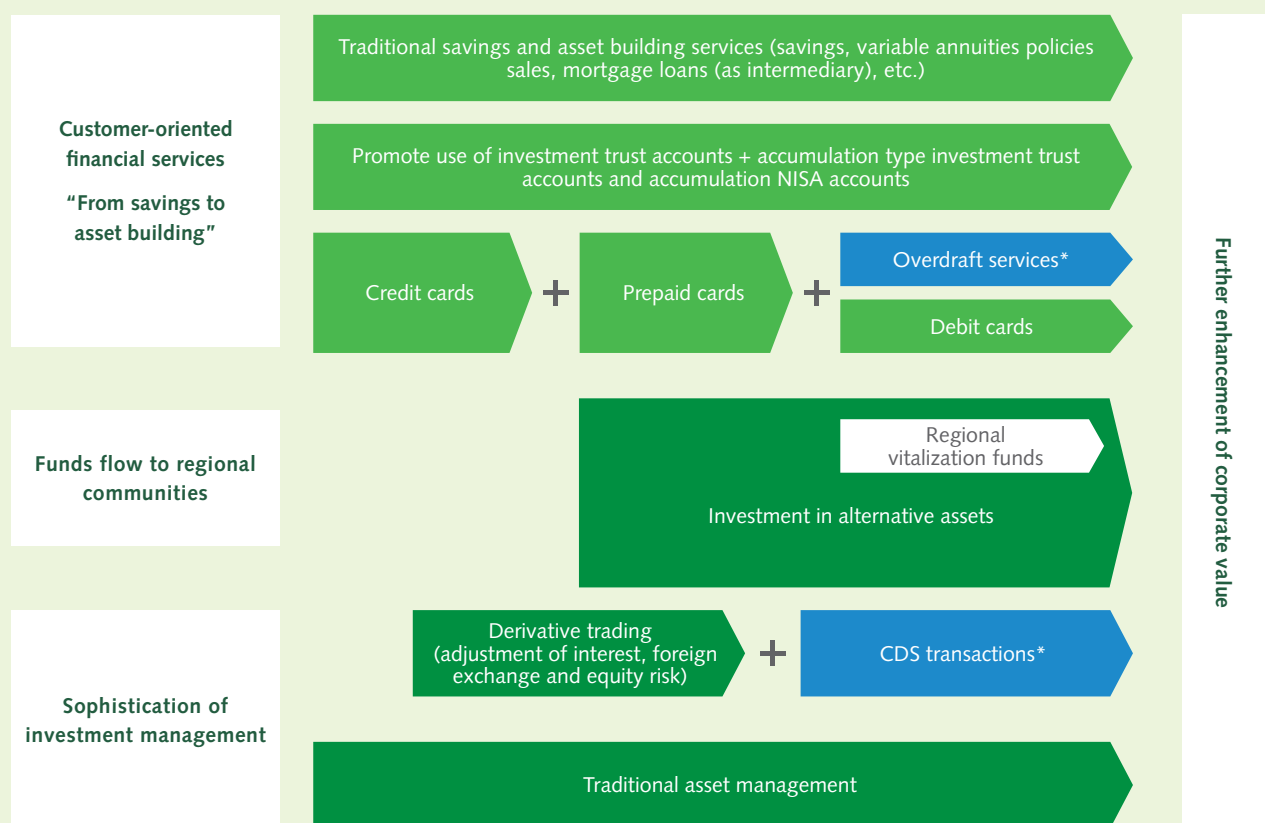
From April 2017

- April Increases participation in "Chubu/Hokuriku Region Vitalization Investment Limited Partnership"
- June Establishes the basic policy of a customer-oriented business
Approval granted for new services (overdraft services, operations related to cooperation with regional financial institutions, etc., market investment-related business)

Sustainable business development targeting improved corporate value

Amid unprecedented and adverse change in financial conditions, we remain committed to further improving corporate value, based on the three pillars of “providing high-quality customer-oriented financial services,” “facilitating funds flow to regional communities,” and “promoting increasingly diversification and sophistication of investment management.” We intend to specialize in areas capitalizing on our current strengths, including a far reaching customer base and our national post office network. This led us to obtain on June 19, 2017, approval to provide overdraft services, business related to cooperation with regional financial institutions, and market investment-related operations.

● Business development



* Regulatory approval received in June 2017

Establishing the basic policy of a customer-oriented business

In addition to services that have been provided in the past, including savings accounts and remittances, we established the basic policy of a customer-oriented business, adopting the Principles concerning the Operation of Fiduciary Duty published by the Financial Services Agency in March 2017, as part of our commitment to meeting the needs of our customers, including through the offering of support in asset building efforts. Under this policy we aim to contribute to the sustained growth of the economy and the stable asset growth of our customers by providing strong management leadership, paying careful attention to the needs of our customers, and consistently working to revise and improve our products and services.

- Basic policy

1 — Establishing a corporate culture focusing on customer-oriented business operations

- In line with our management philosophy, we aim toward the realization of an established corporate culture that focuses on improving the expertise of services in order to meet customer expectations, creating customer-oriented products and services, and allowing changes to management and operations based on customer needs and changing operating conditions.
- In cooperation with partner JAPAN POST, we will work to promote improvements in customer satisfaction and in customer-oriented business operations.

2 — Developing and providing products and services that meet the needs of our customers

- We are committed to meeting the wide-ranging needs of our customers and aim to improve the level of convenience in services provided through our network of locations, centered on about 24,000 post offices nationwide, and about 27,000 ATMs.
- As a financial institution deeply rooted in the community, we will work to improve services and facilities so that they can be used easily and with confidence by all our customers, including the elderly and the physically challenged.
- We will revise and improve our products and services based on the opinions of customers visiting our offices nationwide or calling our call centers.
- In regard to our investment products, we will work to expand our product lineup so that customers can select the appropriate products based on their knowledge, experience, asset situation, and purpose for investing.

3 — Providing customer-oriented information and consulting services

- We will provide products and services appropriate to the customer's interests, based on their investment experience, needs, and knowledge. We will explain and make certain the customer understands the risks involved in these products and services.
- For investment products in particular, we will carefully provide a detailed explanation, making clear any fees associated with products or services so the customer can make informed choices.
- Should the operating environment change drastically, we will provide customers with helpful investment information, including in regard to market conditions and product operations, and thereafter provide timely and appropriate follow-up information.
- In order to meet the diverse investment needs of our customers, we will promote seminars and consulting services that can help the customer better understand market trends and improve their overall understanding of finances and investment.

4 — Improving the system for managing conflict of interest

- So that the interests of our customers are not damaged, we will carefully control any potential conflict of interest in the customer's transactions.

5 — Fostering human resources / performance evaluations

- We will develop employees so that they possess expert knowledge and can properly carry out their duties in order to meet the diverse investment needs of our customers, provide appropriate consulting, and engage in sound operations.
- Performance evaluations will reflect employee efforts to improve customer service, encouraging each employee to put the customer first in all their thoughts and actions.

6 — Status updates

- We will periodically confirm and publish the status of our efforts in line with this policy. We will also periodically review the policy itself so that we can offer high-quality products and services in line with customer needs and changes in the operating environment.

Corporate Governance

Basic Stance on Corporate Governance

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

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

Corporate Governance System

JAPAN POST BANK has adopted the company with three statutory committees system of corporate governance in order to implement rapid decision-making and to increase management transparency. Accordingly, the Bank has established the Nomination Committee,

the 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 13 members. Three of the directors also serve as Executive Officers, and the other eight directors are Outside Directors.

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

Nomination Committee

The Nomination Committee determines the criteria for selecting and removing directors. The committee also determines the contents of proposals for submission to general meetings of shareholders concerning the election and dismissal of directors.

Audit Committee

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

Compensation Committee

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

Executive Officers

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

We have introduced a performance-linked stock compensation system utilizing a trust as part of our compensation for our Executive Officers. The objectives of the system are to further enhance the awareness of the Executive Officers of the Bank regarding the importance of contributing to sustainable growth and enhancing the Bank's corporate value over the medium and long terms, by clarifying the link between the Executive Officers' compensation and the share value of the Bank. Accordingly, the compensation of the Executive Officers of the Bank shall consist of a "base compensation" component as fixed compensation, and a "performance-linked stock compensation" component as variable compensation.

Executive Committee, Internal Control Committee, and Special Committees

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

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

Roles of Special Committees

Compliance Committee

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

Risk Management Committee

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

ALM Committee

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

CSR Committee

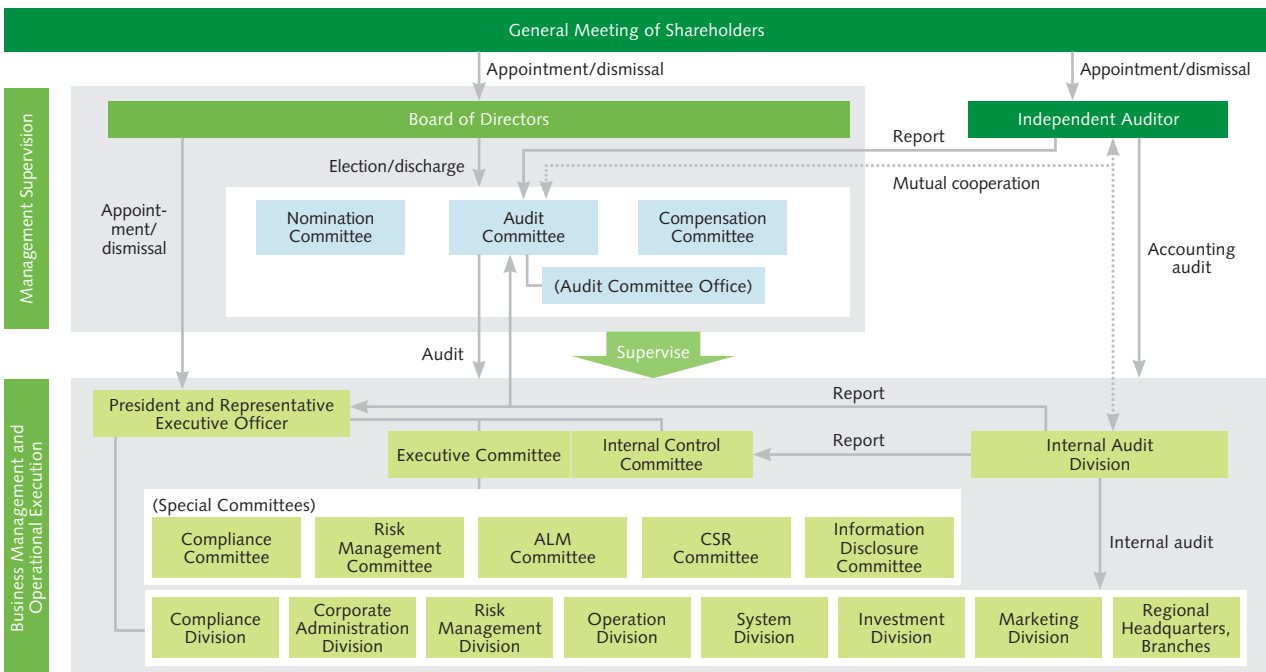
The CSR Committee formulates basic CSR policies and action plans and holds discussions and provides reports regarding progress in these matters.

Information Disclosure Committee

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

Corporate Governance System

(As of July 1, 2017)



Response to the Corporate Governance Code

The Bank has entirely implemented each principle of the Corporate Governance Code. Please refer to the Corporate Governance Report for disclosures about each principle.

Corporate Governance Report



Home



Corporate Information



Corporate Governance



Basic Stance on Corporate Governance

Board of Directors, Executive Officers and Managing Directors

(As of July 1, 2017)



Rear row, from left: Susumu Tanaka, Ryoichi Nakazato, Katsuaki Ikeda, Tsuyoshi Okamoto, Tetsu Machida, Hirofumi Nomoto, Toshihiro Tsuboi, Katsunori Sago

Front row, from left: Nobuko Akashi, Tomoyoshi Arita, Norito Ikeda, Masatsugu Nagato, Sawako Nohara

Directors

Norito Ikeda

President and Representative Executive Officer

Susumu Tanaka

Representative Executive Vice President

Katsunori Sago

Representative Executive Vice President

Masatsugu Nagato

* Director, Representative Executive Officer, President and CEO of JAPAN POST HOLDINGS Co., Ltd.

Ryoichi Nakazato

Outside Directors

Tomoyoshi Arita

Attorney-at-law

Sawako Nohara

President and CEO of IPSe Marketing, Inc.

Tetsu Machida

Independent economic journalist

Nobuko Akashi

Board chairman of a non-profit organization, Japan Manners & Protocol Association

Toshihiro Tsuboi

Representative Director, Vice President & Executive Vice President of JAPAN POST Co., Ltd. (Past experience)

Katsuaki Ikeda

Corporate Auditor of MS&AD Insurance Group Holdings, Inc. (Past experience)

Tsuyoshi Okamoto

Director and Chairman of the Board of TOKYO GAS CO., LTD.

Hirofumi Nomoto

President & Representative Director of Tokyu Corporation

Nomination Committee

Masatsugu Nagato
Chairman

Tomoyoshi Arita
Member

Tsuyoshi Okamoto
Member

Hirofumi Nomoto
Member

Audit Committee

Tomoyoshi Arita
Chairman

Ryoichi Nakazato
Member

Sawako Nohara
Member

Tetsu Machida
Member

Toshihiro Tsuboi
Member

Katsuaki Ikeda
Member

Compensation Committee

Tsuyoshi Okamoto
Chairman

Masatsugu Nagato
Member

Katsuaki Ikeda
Member

Hirofumi Nomoto
Member

Executive Officers

Norito Ikeda
President and Representative Executive Officer
*Director of JAPAN POST HOLDINGS Co., Ltd.

Susumu Tanaka
Representative Executive Vice President
* Managing Executive Officer of JAPAN POST HOLDINGS Co., Ltd.

Katsunori Sago
Representative Executive Vice President

Yoshinori Hagino
Executive Vice President

Masahiro Murashima
Senior Managing Executive Officer

Shigeki Matsushima
Senior Managing Executive Officer

Hiroichi Shishimi
Senior Managing Executive Officer

Yasuyuki Hori
Managing Executive Officer

Masahiro Nishimori
Managing Executive Officer

Masaya Aida
Managing Executive Officer

Harumi Yano
Managing Executive Officer

Suzunori Hayashi
Managing Executive Officer

Atsuko Onodera
Managing Executive Officer

Yoko Makino
Executive Officer

Kunihiko Amaha
Executive Officer

Makoto Shinmura
Executive Officer

Satoru Ogata
Executive Officer

Minoru Kotouda
Executive Officer

Toshiharu Ono
Executive Officer

Shigeyuki Sakurai
Executive Officer

Masatoshi Ishii
Executive Officer

Masato Tamaki
Executive Officer

Takayuki Tanaka
Executive Officer

Shinobu Nagura
Executive Officer

Kenichi Kozuka
Executive Officer

Ikuyo Kondo
Executive Officer

Managing Directors

Kunio Tahara
Senior Managing Director

Naohide Une
Managing Director

Takayuki Kasama
Managing Director

Taiichi Hoshino
Managing Director

Tokihiko Shimizu
Managing Director

Tatsuo Ichikawa
Managing Director

David Sancho Shimizu
Managing Director

Notes:

1. Tomoyoshi Arita, Sawako Nohara, Tetsu Machida, Nobuko Akashi, Toshihiro Tsuboi, Katsuaki Ikeda, Tsuyoshi Okamoto and Hirofumi Nomoto are outside directors as set forth under Article 2.15 of Japan's Companies Act.
2. Managing Directors do not fall within the scope of definition of director as set forth under Japan's Companies Act.

Messages from Outside Directors



Tomoyoshi Arita
Attorney-at-law

Augmenting and Strengthening Compliance and Governance Systems

I am amazed by the progress JAPAN POST BANK has made over the past few years enhancing its compliance and governance systems, all thanks to the efforts of its employees. The business environment for financial institutions recently has not been smooth by any means, and the Bank has continued to take on new challenges while seeking to enter new fields, as shown by its efforts to increase the sophistication of asset management and expand sales of investment trusts. I believe the Bank is in the midst of a change. With all that is happening these days, it is now more important than ever to augment and strengthen compliance and governance systems, the heart of a company.



Sawako Nohara
President and CEO of IPSe Marketing, Inc.

A Company that Provides Truly Customer-Oriented Services

I have been an Outside Director for three years. Over this time, JAPAN POST BANK has made steady progress in making its asset management more diversified and sophisticated while strengthening the corporate governance structure. The Bank is concentrating more on sales of investment trusts, because ultra-low interest rates are likely to encourage more individuals to move their assets from savings accounts to investment trusts. It is important to formulate strategies, create systems and train personnel in order to realize truly customer-oriented marketing that recommends ideal products to each individual customer while explaining the products in an easy-to-understand way even for first-time customers. On this point and others that come up, I will proactively advise management from the perspective of an outsider.



Tetsu Machida
Independent economic journalist

Evolve from a Single-Focus Approach, Enlist Everyone's Support!

Ten years have passed since the privatization, but JAPAN POST BANK has not completed its transformation from a nationally run corporation with a proud history of 140 years into a bank able to sustain growth. The Bank is a "single-focus approach" with an unusual earnings structure, as the bulk of profits are dependent on the spread between the interest rate it pays on the deposits of its customers and the interest rates it receives from Japanese government bonds, foreign bonds, and other investments. In order to continue serving remote outlying areas, JAPAN POST BANK and Group companies must have a diverse and stable base. Relying on my experience covering the postal service business, I will cooperate with President Ikeda's executive team and encourage the creation of such a foundation as quickly as possible. I ask everyone for their support.



Nobuko Akashi
Board chairman of a non-profit organization,
Japan Manners & Protocol Association

Train and Deploy Personnel to Strengthen the Corporate Structure

Empowering women in the workplace and work style reforms are important management issues being addressed by all Japanese companies. Last year, JAPAN POST BANK launched the Diversity and Inclusion Department and embarked on a full-fledged initiative to improve awareness of diversity among all employees, not just women. Growth is unlikely in a tough business environment unless personnel with diverse skills are educated and trained in the provision of sophisticated financial products and exceptional services. I will supervise management and advise them as an outsider so that the Bank can continue to evolve as a financial institution and provide more satisfying and value-added services to its customers.



Toshihiro Tsuboi

Representative Director, Vice President & Executive Vice President of JAPAN POST Co., Ltd. (Past experience)

Showing a Vision for the Future in a Customer-Oriented Support Role

At JAPAN POST BANK, the Board of Directors mainly consists of Outside Directors, ensuring transparency and fairness in deciding and executing management policy. Many of the executive officers are experts with extensive and diverse experience to rely on. Utilizing these strengths, JAPAN POST BANK has responded appropriately to the introduction of negative interest rates and other events. In a support role for the asset formation of customers, I will constructively advise management as an Outside Director with the intention of deepening trust in the Bank, which is rooted in the post offices spread across the country, while showing a vision of a future with sustained growth and contributions for vitalization of regional economies.



Katsuaki Ikeda

Corporate Auditor of MS&AD Insurance Group Holdings, Inc. (Past experience)

Keeping Board Meetings Active

During briefings prior to meetings of the Board of Directors, each director states their opinion based on their own knowledge and experience. Board of Directors meetings are quite active, as the execution side listens carefully to the proceedings. While not surprising, this could not be accomplished without each member's cooperation and overall harmony. I think my role is to make sure this atmosphere continues to permeate the organization.

From the standpoint of an auditor, I believe it is rather easy to conduct audits due to the clarification of directors' functions under the company with three statutory committees system that the Bank has adopted.



Tsuyoshi Okamoto

Director and Chairman of the Board of TOKYO GAS CO., LTD.

Continuing to Work Fairly and Uphold Trust

JAPAN POST BANK has a total of ¥180 trillion in deposits, mainly small accounts owned by customers across the nation. To uphold the trust placed in it, the Bank's most important mission is to properly manage these assets and return profits earned on them. To do so, the Bank must work fairly on behalf of customers at all times. Given the nature of the assets it has been asked to protect, I believe these funds should be used for "regional vitalization," an urgent issue facing the nation. To fulfill this mission, I will help the Bank as an Outside Director to the best of my ability.



Hirofumi Nomoto

President & Representative Director of Tokyu Corporation

Promoting Business from the Customer's Standpoint

— On Appointment as an Outside Director —

I am Hirofumi Nomoto, the President of Tokyu Corporation, and I became an Outside Director of JAPAN POST BANK in June 2017. At the Tokyu Group, I have been involved in management with the objective of creating safe, worry-free and comfortable communities and lifestyles, mainly through the railway, urban development and life services businesses. The Bank is a financial company, but it is also a business that services customers. I am ready to fulfill my duties to the best of my ability, intending to help as much as possible with promoting management from the customer's perspective and vitalizing regions alongside local residents. Thank you for this opportunity to serve.

CSR (Corporate Social Responsibility)

JAPAN POST BANK sees CSR as one of its highest management priority 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.

CSR at JAPAN POST BANK

Concept

JAPAN POST BANK is committed to the sustainable development of society. Our goal is to help create a society in which all individuals are able to pursue their own growth and well-being by providing increased value to customers, shareholders, society, the environment, and employees through our business activities.

Specific Activity Themes

JAPAN POST BANK undertakes a wide range of CSR activities based on specific themes that it believes are of particular importance. Our paramount goal is to help put in place a robust social platform. Accordingly, we focus on the needs of society and how best we can utilize the unique attributes of our business when identifying these themes.



Reliable services



Diversity management



Environment



Education

Reliable services



As a financial institution with grass roots in communities, we aim to enhance services and facilities so that all customers can conveniently use them without worry.

Products and services

Retirement Pension Delivery Service

With this service, a liaison staff will hand-deliver pension benefits wired into their bank accounts to the beneficiaries, who are unable to receive their benefits because of their problems such as advanced age or physical disabilities.

disability certificates, these customers can transfer money from branch teller windows at the ATM rate, which is lower than the branch teller window rate.

New Welfare Time Deposits

We offer time deposits for individuals with a maturity of one year on deposits up to ¥3 million, with preferential interest rates for recipients of certain pensions and allowances, such as the disability basic pension, the basic pension for surviving family, and child-rearing allowances.

"JAPAN POST BANK Deposits for International Aid"

The "JAPAN POST BANK Deposits for International Aid" program allows customers to donate 20% of the interest received on their savings (after-tax) to JAPAN POST BANK. By using the JICA (Japan International Cooperation Agency) Fund established by JICA, these resources are used in such activities as improving living standards in developing countries and regions through nongovernmental organizations (NGOs) and other groups.

Discounted Money Transfer Fees for the Visually Impaired

We offer discounts on money transfer fees for visually impaired customers transferring money from teller windows at branches. By presenting their physical

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.

Barrier-Free Facilities

Services Using Braille for the Visually Impaired

To ensure that visually impaired customers have access to the Bank's services, we provide services in which the content of ordinary deposits and various notices are presented using Braille and delivered to these customers. Our cash cards have customers' names written in Braille. A Braille version of our Product and Services Guide is also available at all bank branches.

ATM Services

Our ATMs have Braille displays for showing transaction amounts, and voice guides help the visually impaired with conducting transactions.

Telephone (Handset)

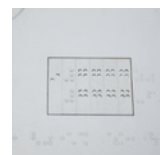
Utilizing a handset keypad, a voice guidance system provides customers with operating instructions.



Front panel of an ATM

Braille Guidance and Braille Displays

In addition to the use of Braille to indicate bankbook and cash card insertion slots as well as for operating buttons, ATMs are equipped with a small protruding Braille device which displays transaction amounts and other pertinent data.



Earphone Jack

Our ATMs enable customers to use their personal earphones to receive detailed verbal instructions regarding transaction amounts and other pertinent data.



Barrier-Free Facilities

The Bank is working to provide barrier-free facilities. For example, entrances and exits at branches have been fitted with ramps and handrails, thereby enabling senior citizens and people who are physically challenged to readily access the Bank's services. In addition, in light of related laws and regulations, Braille walkway blocks have been installed for customers who suffer from visual impairments.



Ramps and handrails as well as Braille walkway blocks have been installed at branch entrances and exits as well as ATMs.

Update to ATM Screens

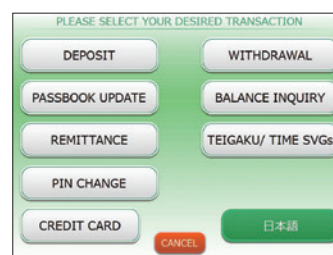
In January 2017, the design*¹ of the ATM screens was updated to incorporate Color Universal Design*² concepts. This update will make it easier and more convenient for the majority of customers to use our ATMs.

*1 Excludes information about hours of operation and fees.

*2 Color Universal Design uses a color scheme that a majority of people find easier to see, regardless of individual differences in color perception.



Color Universal Design mark



Screenshot of updated screen

Enhancing Security of Online Banking Transactions

Japan Post Bank Direct services have various security features in place so that customers can securely use banking services over the internet.

Token (One-Time Password Generator) and E-mail One-Time Password Authentication

JAPAN POST BANK gives customers a free token (one-time password generator) for use with Japan Post Bank Direct, the online banking service.

A token is a small electronic device that displays a one-time password every minute that can only be used once. The token is a security enhancement that helps prevent online crime caused when computers are infected with malware that secretly steals PINs and security question answers when they are entered by a user on a website.

Customers who do not register to use a token can authenticate themselves with one-time passwords sent via e-mail when they request a transfer of funds (wire transfer) to a JPB account or to another financial institution.



Token (one-time password generator)

To enhance the level of security further, users are strongly recommended to register an e-mail address associated with their mobile phone or smartphone.

Functions to Suspend, Unsuspend Online Account Access

It is possible to prevent third parties from illicitly logging into a user's account by usually suspending access privileges to Japan Post Bank Direct (except when using mobile phones) and then restoring access privileges only when a user wants to conduct a transaction.

Providing PhishWall Premium Free of Charge

PhishWall Premium*1 is a security software program designed to counter MITB*2 attacks. Customers use this program by installing free PhishWall Client software into their personal computers.

When customers access the JAPAN POST BANK Direct website, the program checks their personal computer and displays a warning message if it detects

signs of MITB malware infection. The program can also disable detected MITB malware.

*1 PhishWall Premium is a security software program provided by SecureBrain Corporation.

*2 Man-in-the browser attack: A security attack that infects a victim's computer, showing the victim a fake screen and steals personal identification number and password to gain illegal access.

Free Service for Sending Donations for Disaster Relief, Emergency Handling of Savings Accounts

In the event of a natural disaster like an earthquake, typhoon or flood, JAPAN POST BANK offers services for sending disaster relief donations free of charge to the bank accounts of the Japanese Red Cross, community chest societies, as well as public national and local organizations, from bank or post office branches, in order to support activities that provide relief to people adversely affected by the disaster.

The Bank also offers free fund transfers to designated organizations that aim to promote social welfare.

For people who have lost their savings account bankbooks, certificates or personal seals as the result of a natural disaster, and satisfy certain conditions, we will allow them to withdraw funds from their savings accounts for emergency purposes.

Reference: Natural disasters eligible for free money transfers

(As of April 1, 2017)

Name of natural disaster
Great East Japan Earthquake (The 2011 off the Pacific coast of Tohoku Earthquake)
Damage caused by heavy rain during Typhoon No. 18 (Ibaraki Prefecture)
2016 Damage caused by an earthquake in the Kumamoto region of Kumamoto Prefecture
2016 Damage caused by heavy rain during Typhoon No. 10 (Iwate Prefecture)
2016 Damage caused by an earthquake in central Tottori Prefecture
2016 Damage caused by a massive fire in Itoigawa City, Niigata Prefecture

Environment



The Bank has prepared the Ecology Guidebook and other guidelines in cooperation with other JAPAN POST GROUP companies. These guidelines set forth concrete methods on how to achieve the “Environmental Vision.” Based on these guidelines, the Bank is implementing measures to increase energy efficiency and conserve resources at all branches and facilities.

The JAPAN POST BANK Environmental Policy was created as a basic guiding principle for activities to conserve the environment, in order to maintain abundance in society and serve as a springboard for tackling global environmental problems.

Reduction in Paper Used with Products and Services Paperless Account Japan Post Bank Direct+ (Plus)

Without using an account bankbook, customers can take advantage of online banking services via Japan Post Bank Direct to check transactions, account balances and wire money. Customers can also use Japan Post Bank Direct to see their transaction history (that is, parts not printed in their bankbook) and elect to have notifications sent by postal mail concerning maturity dates for their *tanpo teigaku* and *tanpo teiki* savings accounts.

The increasing use of Japan Post Bank Direct+ (Plus) will reduce the amount of paper consumed for mailing notifications to customers through the postal service and the paper used in their bankbooks.

Online Service for Viewing Transfer Receipt and Payment Notifications

Customers with transfer accounts can use an online service to view transfer receipt and payment notifications and images of payment transaction receipts.

This online service gives customers the option to stop receiving paper documentation, reducing the consumption of paper.

Reduction in Volume of Copier Paper Used

Employees reduce the volume of copier paper used by checking the screen before printing, printing on both sides or in two-up format, and printing on the back side of used paper.

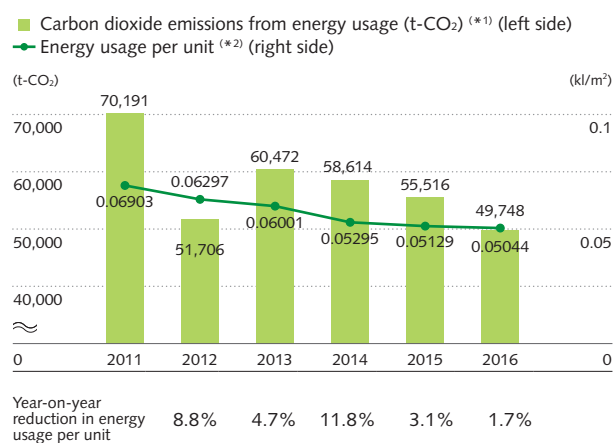
Reduction in Energy Usage

During the summer when energy usage is at its peak, Group companies work together to conserve energy by wearing cool clothing and adjusting the room temperature. Measures are also taken to make sure power is turned off on equipment (visualization, checklists), while employees are encouraged to use the stairs instead of elevators when going up two floors or down three floors.

● JAPAN POST BANK Energy Use Data

For the fiscal year ended March 31,

Numerical targets (best effort targets): Reduce per-unit energy usage by an average of at least 1% annually over five years



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

*2 Energy usage per unit is the total crude oil equivalent of energy used divided by the total floor area of the company.

Biodiversity Initiatives

“JP Forest” Creation

As one of the CSR activities undertaken by the JAPAN POST GROUP, the Bank has identified the JP Forest initiatives in a bid to promote the sustainable development of forests. Directors and employees of Group companies take part voluntarily in collaboration with NPOs and other organizations to plant and nurture trees throughout local and regional communities.



Activities to nurture trees at JP Forest (October 2016, Kimitsu City, Chiba Prefecture)

Promoting Diversity Management



In addressing the needs of our customers in tune with their life stages, we believe it is essential that each and every employee fully comprehend the rich dimensions of diversity and act in a manner that welcomes change each and every day. With this in mind, JAPAN POST BANK established the Diversity and Inclusion Department on July 1, 2016 in an effort to strengthen diversity management and to promote the use of a diverse range of human resources together with work style reform.

The JAPAN POST BANK Diversity Committee is led by the Director, President and Representative Executive Officer of JAPAN POST BANK, and made up of members with a variety of career backgrounds from various branches, offices and other sites nationwide. The Committee considers policies and measures and makes recommendations on the promotion of diversity management.

The JAPAN POST BANK Diversity Forum is held to foster awareness of diversity throughout the entire Company.

Fostering an inclusive corporate culture

With management playing a central role, the Bank is implementing a variety of educational measures to develop a workplace environment that allows employees with diverse backgrounds to come together with a strong sense of mutual understanding.

● Training and Empowering "Ikubosses"

JAPAN POST BANK believes that "Ikubosses"* are essential to realizing workplaces where employees are

able to reach their full potential in their professional and private lives. With this in mind, the Bank has joined the Ikuboss Corporate Alliance organized by the NPO Fathering Japan, and is working to train and empower Ikubosses.

* "Ikubosses" refer to supervisors (business leaders and managers) who are considerate of the work-life balance needs of subordinates and other staff with whom they work together in the workplace and are supportive of the professional and private lives of those individuals. In the process, Ikubosses are also able to deliver a strong business performance in their respective organizations in tandem with enjoying their own careers and private lives.

Supporting childcare and work

JAPAN POST BANK has put in place a general business owner action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace. The Bank has set the target of lifting the percentage of women in managerial positions to 14% or more by April 1, 2021.

(Reference) Percentage of Women in Managerial Positions

	Percentage of Women
Managerial Positions	11.5%

(As of April 1, 2017)

Work-life balance management

JAPAN POST BANK is promoting a framework that allows each and every employee to maintain a balance between work and everyday life. The Bank is also conducting lectures relating to work life balance as a part of training by position and reviewing work styles.

JAPAN POST BANK is putting in place measures with the aim of promoting work-life balance at each employee life cycle stage.

● Support for Both Childcare and Work

(Reference) Work-Life Balance Support System Utilization
For the fiscal year ended March 31,

	2015	2016	2017
Employees taking childcare leave	351	352	389
Male employees taking childcare leave	16	15	23
Employees taking sick-child care leave	419	481	544

Supporting the nurturing of children, JAPAN POST BANK has received the Kurumin next generation accreditation mark authorized by Japan's Ministry of Health, Labour and Welfare over three business terms from the fiscal year ended March 31, 2011.



Next generation
accreditation mark
Kurumin

● Initiatives to Reform Work Styles

JAPAN POST BANK is encouraging employees to take leave systematically while at the same time promoting refresh days when they finish work by the end of regular business hours in order to realize work environments that secure a balance between work and life. Various measures are being taken to reform work styles, such as to improve business efficiency through greater work productivity and higher value added.

Helping employees shape their careers

JAPAN POST BANK is helping its employees take the initiative to shape their own careers and fulfill their aspirations. Through a series of seminars and other measures that allow employees to map out their own plan, the Bank is providing opportunities to pick up on and learn about the attributes required to advance their careers.

The Bank also recognizes the importance of providing its employees with the ability to manage the work and personnel that are specific to a particular position. As a result, steps have been taken to put in place position-specific training. Participants undergo a simulation

mapping out certain paths and careers. Candidates for managerial positions also take part in management training*¹ while also participating in round table talks with senior managers as part of the Bank's mentoring program.

Complementing these initiatives, our mentor program*¹*² is designed to provide the wide-ranging follow-up and training necessary to help employees grow in the future.

*¹ Open to all candidates irrespective of gender.

*² A human resource training method. An initiative to support the growth of employees through dialogue with senior management who impart their advice (mentoring).

Employment Opportunities for the Physically and Mentally Challenged

JAPAN POST BANK is actively engaged in providing employment opportunities to the physically and mentally challenged. Individuals with disabilities continue to excel throughout the Bank's nationwide network of branches.

In 2010, the Bank established the JAPAN POST BANK ARIGATO Center as a part of efforts to provide individuals who are mentally challenged and seeking employment with the opportunity to work.

At this center, individuals with disabilities bag candy, which is handed to customers visiting branches as a part of the Bank's customer appreciation initiative.

(Reference) Rate of employees with disabilities

(Target) Statutory employment rate of persons with disabilities	The Bank's employment rate of persons with disabilities
2.0%	2.52%

(As of June 1, 2017)

Dialog is Key to Diversity Management Making Everyone Happy

In its entirety, Japan is an archipelago of islands, more than 400 of which are inhabited, that stretches over a considerable distance from north to south. In addition to its four distinct seasons, the nation is said to exhibit the world's leading geographical diversity. For over 140 years, we have continued to support Japan's retail finance sector through a variety of initiatives. This includes putting in place the necessary finance infrastructure to address the lifestyle needs of each community with its own unique attributes and to provide deposit and finance education targeting children.

Society has been undergoing rapid changes, with evolving economic and industrial structures, demographics, employment models, families as well as greater diversity in lifestyles. I believe management's utmost priority is to draw out the potential and diverse skills of employees. In the previous fiscal year, we focused on "understanding and spreading awareness," and this fiscal year we are concentrating on "execution." We have formed Yucho Diversity Committees with men and women as members in 13 areas spanning the country. We are taking steps to resolve issues identified in each area.

I believe "dialog" is the most important aspect of promoting diversity. By empathizing with and understanding the positions of others, we can communicate our opinions and thoughts openly. I believe this is the first step in diversity. We will promote diversity with the aim of being a trustworthy bank of integrity and a limitless capacity for warm-heartedness and friendliness toward people.

* Photo: Akiko Kudo



Yoko Makino
Executive Officer

Education



Harnessing its attributes as a financial institution, JAPAN POST BANK is deeply involved in the education of the next generation as a part of its ongoing efforts to contribute to society.

Financial Education

JAPAN POST BANK conducts financial education classes at elementary and junior high schools. Utilizing proprietary teaching materials, the Bank strives to instill in young children the importance of financial management by giving them a sense of the value of money.

In the fiscal year ended March 31, 2017, the Bank offered a total of 74 classes about finance at 49 elementary and junior high schools.



Textbook for each grade, allowance book



Piggy Bank Design Contest for Children

With the objectives of heightening children's interest in saving and fostering their artistic creativity by making piggy banks, we hold the JAPAN POST BANK original piggy bank design contest for elementary school students. We started the contest in 1975 to commemorate the founding centennial of postal savings services in Japan. The fiscal year ended March 2017 marked the 41st contest.

This year, we received 796,917 piggy bank entries from 11,227 elementary schools across Japan. Of the submissions that passed the judges at each elementary school, the first round of screening (using photographs) led to the advancement of 240 piggy bank entries that were deemed exceptional to the final stage of screening (using the actual piggy bank). Awards were then decided for these entries, including the Minister of Education Award, the JAPAN POST BANK Award, the Post Office Award, the Honorable Mention Award, and the Good Design Idea Award. From December 2016 to February 2017, the 240 piggy bank entries that won an award were then put on display in seven locations

around the country (in Tohoku, Kanto, Tokyo, Chubu, Kansai, Chugoku, and Kyushu).

In the fiscal year ended March 2017, we donated ¥10 for every piggy bank entry received (a total of ¥7,969,170) to the Japan Committee for UNICEF and JICA. Each fund was given ¥3,984,585 to use to provide aid to children suffering from poverty and illness in developing countries.

● **Percentage of schools participating**
(fiscal year ended March 31, 2017)

56.3%

(No. of participating elementary schools / total no. of elementary schools)



Minister of Education Award
"Wonderful World of Books"



JAPAN POST BANK Award
"Vegetable Dinosaur"



Exhibition

The First New Year's Gifts and Greetings Cards

Every year since 2015, JAPAN POST BANK and JAPAN POST have given newborn children their very first New Year's Gifts and Greetings Cards. During the campaign period, we gave children opening their first regular savings account a New Year's Gift (¥1,000) and we also delivered a New Year's Greeting Card on January 1, either from JAPAN POST or JAPAN POST BANK.

JAPAN POST and JAPAN POST BANK support the upbringing of children by protecting their savings as financial institutions that will be with them for the rest of their lives.



Measures to Improve Customer Satisfaction

JAPAN POST BANK understands the importance of earning the trust of customers and contributing to society while adhering strictly to laws and regulations. We are adapting our businesses and operations to reflect customer opinions and changes in society and the economic environment.

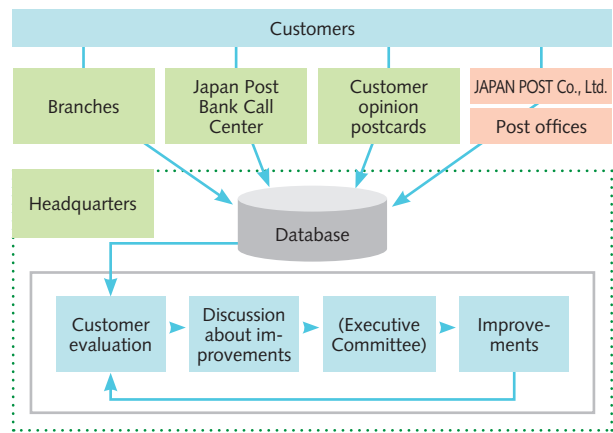
Aiming to be the most accessible and trustworthy bank in Japan in line with our management philosophy, we diligently listen to the opinions of our customers in our efforts to improve and enhance services on a daily basis. Our aim is for our services to be No. 1 in customer satisfaction.

Caring about Our Customers' Opinions

JAPAN POST BANK has a unified system for managing the opinions it receives from customers at its branches and call centers. By sharing and analyzing this information companywide, we are able to make necessary improvements based on customer feedback.

As a way for customers to have their opinions and requests heard, the Bank has put customer opinion postcards in the lobbies of its branches. The customer opinion postcards sent to us by customers help us improve customer satisfaction at not only the branch but also across the entire bank.

Organizational Structure for Improving Services

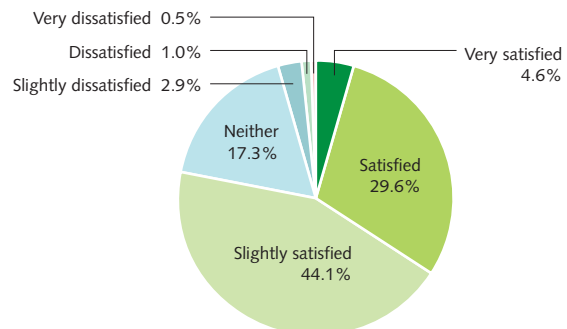


Surveys of Customer Satisfaction

In order to provide better services, the JAPAN POST GROUP conducts customer satisfaction surveys. According to the ninth survey, conducted in September 2016, 78.3% of customers (*) are satisfied with our services.

Summary of Ninth Customer Satisfaction Survey

Survey period	: September 9-20, 2016
Survey candidates	: Among customers who came to a post office, the people surveyed were at least 20 years old (without regard to gender), use the post office (including ATM) at least once a month, and had an account at JAPAN POST BANK.
Sample number	: 1,570 people (only bank services)



Source: Ninth JAPAN POST GROUP Customer Satisfaction Survey conducted by JAPAN POST HOLDINGS Co., Ltd.
* Total of very satisfied, satisfied and slightly satisfied

Measures to Improve Services

Improve Customer Interaction Skills

Staff at our branches greet customers with bright smiles on their faces and make every effort to precisely understand customer needs with the aim of providing a satisfying experience.

We make a concerted effort to improve business manners and responsiveness so that our customers are satisfied with our services. To this end, we hold meetings attended by leaders in charge of customer satisfaction at each branch, customer service improvement training by outside experts based on surveys conducted at branches and call centers, and a customer interaction contest where employees engage in role playing for customer interactions.

Our Response to Alternative Dispute Resolution System in the Financial Sector

The enactment of the Act for Partial Revision of the Financial Instruments and Exchange Act, etc. (Law No. 58, 2009) has led to the creation of an alternative dispute resolution system in the financial sector (financial ADR system). JAPAN POST BANK has signed a basic agreement to implement procedures with the Japanese Bankers Association, the conflict resolution entity designated by the Banking Act, to put in place a system for consigning work related to claim handling and dispute resolution.

Compliance

Compliance Policy

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

We are striving to be the most trustworthy bank in Japan, and consequently we view compliance as an important management issue. Accordingly, we conduct rigorous compliance activities.

Compliance System

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

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

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.

Measures Aimed at Managing Conflicts of Interest

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

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

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

Internal Auditing

Internal Auditing System

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

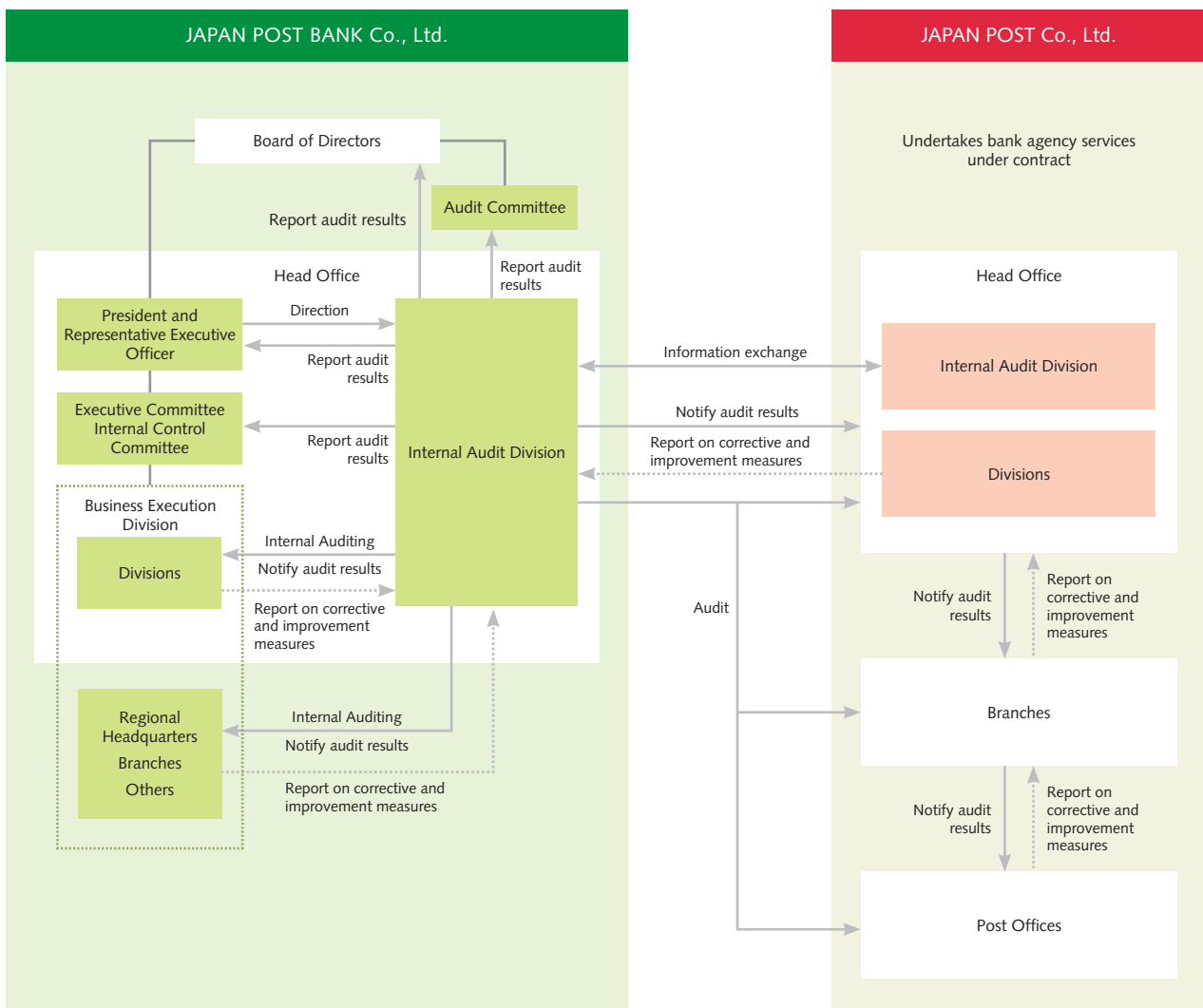
The Internal Audit Division conducts audits of the head office divisions (including overseas representative offices), Regional Headquarters, Branches, Administration Service Centers, Operation Support Centers, Seal Card Management Center, ATM Management Centers, Data Centers, Credit Card Collection Service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

these audits, the division verifies the appropriateness and effectiveness of operational execution and internal control systems, including compliance and risk management.

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

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

● Internal Auditing System



Measures to Support Management at SMEs and Vitalize Local Communities

Measures to Support Management at SMEs

JAPAN POST BANK has no experience providing financing to small and medium-sized enterprises (SMEs), and therefore does not provide support to management at SMEs through financing.

The Bank does offer a variety of services to corporations and business owners, such as fund transfers and bill payments. The support we offer to managers of SMEs relates to improving the efficiency, facilitating

the process, and reducing the cost of doing business, by focusing efforts on enhancing the quality of services that take advantage of our nationwide post office and ATM network. Such services include convenient regular payments for receiving payments for goods or for collecting accounts receivable, electronic transfers, and employee salary deposits (salary payment services).

Measures to Vitalize Local Communities

Recirculating Funds to Regional Economies

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

Participation in Regional Vitalization Funds

JAPAN POST BANK has decided to participate in the investment funds summarized below with the objective of deepening ties with regional financial institutions and contributing to the development of Japanese regional economies through cooperation and collaboration. By investing in these funds, the Bank will contribute to the vitalization and development of local communities.

Summary of Funds

(As of May 31, 2017)

Fund name	Date established	Fund members other than JAPAN POST BANK *3
Kyushu Wide Area Reconstruction Assistance Investment Limited Partnership	July 29, 2016	<ul style="list-style-type: none"> • THE OITA BANK Co., Ltd. • THE BANK OF FUKUOKA, Ltd. • Kumamoto Bank, Ltd. • Minami-Nippon Bank, Ltd. • The Eighteenth Bank, Ltd. • The Chikuho Bank, Ltd. • Bank of Nagasaki, Ltd. • THE NISHI-NIPPON CITY BANK, Ltd. • The Higo Bank, Ltd. • The Kitakyushu Bank, Ltd. • Howa Bank, Ltd. • Saga Kyoei Bank, Ltd. • Miyazaki Taiyo Bank, Ltd. • Regional Economy Vitalization Corporation of Japan (REVIC) • Long Black Partners Co., Ltd. • REVIC Capital Co., Ltd. • THE KAGOSHIMA BANK, Ltd. • Fukuoka Chuo Bank, Ltd. • THE BANK OF SAGA, Ltd. • The Miyazaki Bank, Ltd. • THE SHINWA BANK, Ltd.
Hokkaido Growth Companies Support Investment Limited Partnership	November 18, 2016	<ul style="list-style-type: none"> • North Pacific Bank, Ltd. • Hokkaido Research Institute for the Twenty-first Century Co., Ltd. • Hokuyo Capital Co., Ltd.
KFG Regional Enterprise Support Investment Limited Partnership	October 1, 2015*1	<ul style="list-style-type: none"> • The Higo Bank, Ltd. • Kyushu Kizuna Capital Co., Ltd. • THE KAGOSHIMA BANK, Ltd.
Chubu / Hokuriku Region Vitalization Investment Limited Partnership	October 27, 2016*2	<ul style="list-style-type: none"> • Nippon Sangyo Suishin Kiko Ltd. • Regional Economy Vitalization Corporation of Japan (REVIC) • Tokai Tokyo Investment Co., Ltd. • The Mie Bank, Ltd. • Aichi Bank, Ltd. • Chita Shinkin Bank • Chukyo Bank, Ltd. • KITAISEUENO SHINKIN BANK • The Hekikai Shinkin Bank

*1 JAPAN POST BANK increased its participation on November 18, 2016.

*2 JAPAN POST BANK increased its participation on April 27, 2017.

*3 Members of Chubu / Hokuriku Regional Vitalization Investment L.P. as of its date of establishment.

Trial with mijica, Regional Prepaid VISA Card

In January 2017, JAPAN POST BANK and JAPAN POST began issuing to most age groups the local Visa prepaid card mijica at post offices and directly operated bank branches that handle mijica in Sendai City and Kumamoto City.

Through this service, we aim to contribute to vitalizing regional economies and promoting the use of cashless payments.

Card design



Sendai City

Kumamoto City

mijica

What is mijica?

- No initiation fee or annual membership fee!
- Usable at 44 million merchants that accept Visa around the world, including convenience stores and supermarkets in Japan!
(Extra points (2-3x) can be received at specific merchants in Sendai City and Kumamoto City.)

JAPAN POST BANK Prepaid Card App

Note: Application available only via iPhone (iOS9 firmware or higher version)

Basic Features

Check money balances, view usage history, and add money to mijica!

Safety and Security Features

No need to worry if the prepaid card is lost, thanks to ability to temporarily lock and unlock the card!

Household Budget Features

It is easy and convenient to manage household budgets and allowances!

JAPAN POST BANK Machiomoi® Calendar 2017

JAPAN POST BANK has created the original JAPAN POST BANK Machiomoi Calendar 2017.

We have coined the phrase “Machiomoi wa hito omoi” to express our intentions to be a familiar, nearby financial institution that is close to communities. Since 2013, we have worked closely with Machiomoi Cho* to create calendars with this idea in mind. On the “Welcome to the Machiomoi Post Office!” page, local store owners and post office managers convey their thoughts about the beauty of their towns, setting the tone of the calendar.

For 2017, four calendars have been created to represent four regional blocks of Japan. In this updated version, the calendars feature every one of the 47 prefectures. The calendars are designed to elicit warm feelings and bring back fond memories of hometowns.

* Machiomoi Cho is a project to create small booklets and visuals for exhibitions created by people in Japan as expressions of their favorite memories of their hometowns from their own viewpoint, as well as the towns they lived in as students and towns they live in now.



Risk Management

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

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

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

Risk Categories and Definitions

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

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

Risk Management System

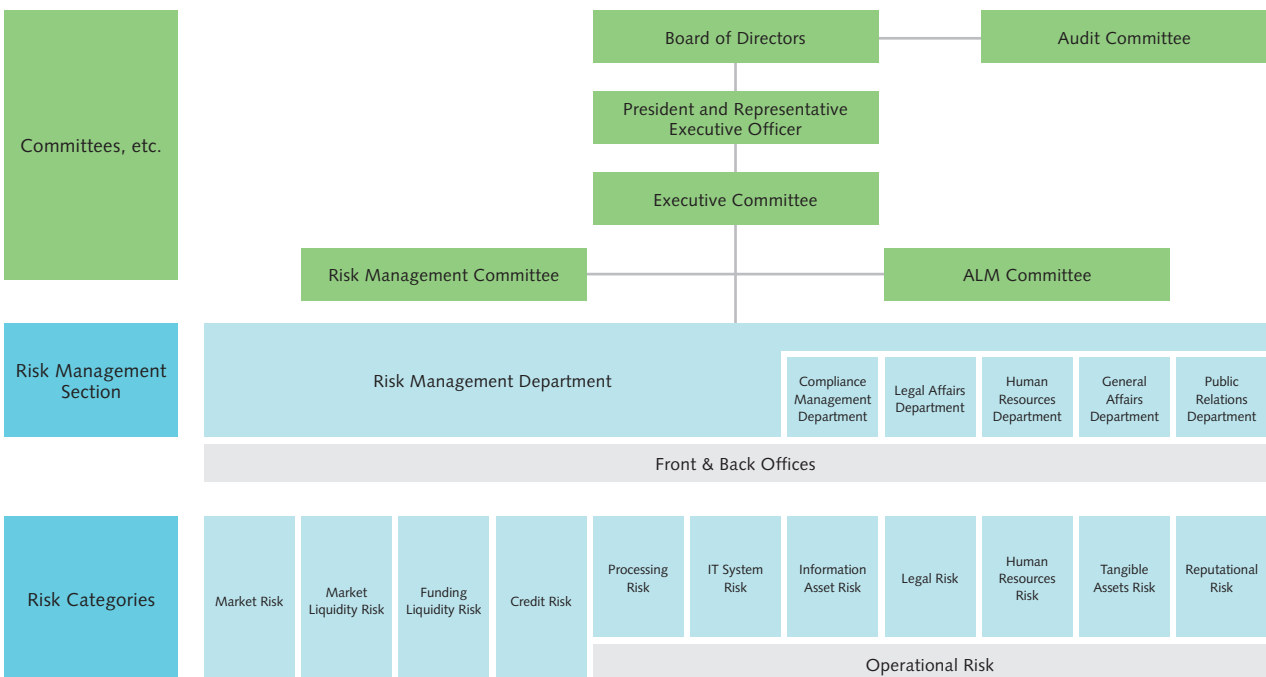
The Bank has identified certain risk categories outlined in the table below. Various entities have been established to manage each risk category. In addition, we have put in place the Risk Management Department, which is responsible for monitoring each risk category in an integrated manner in order to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

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

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

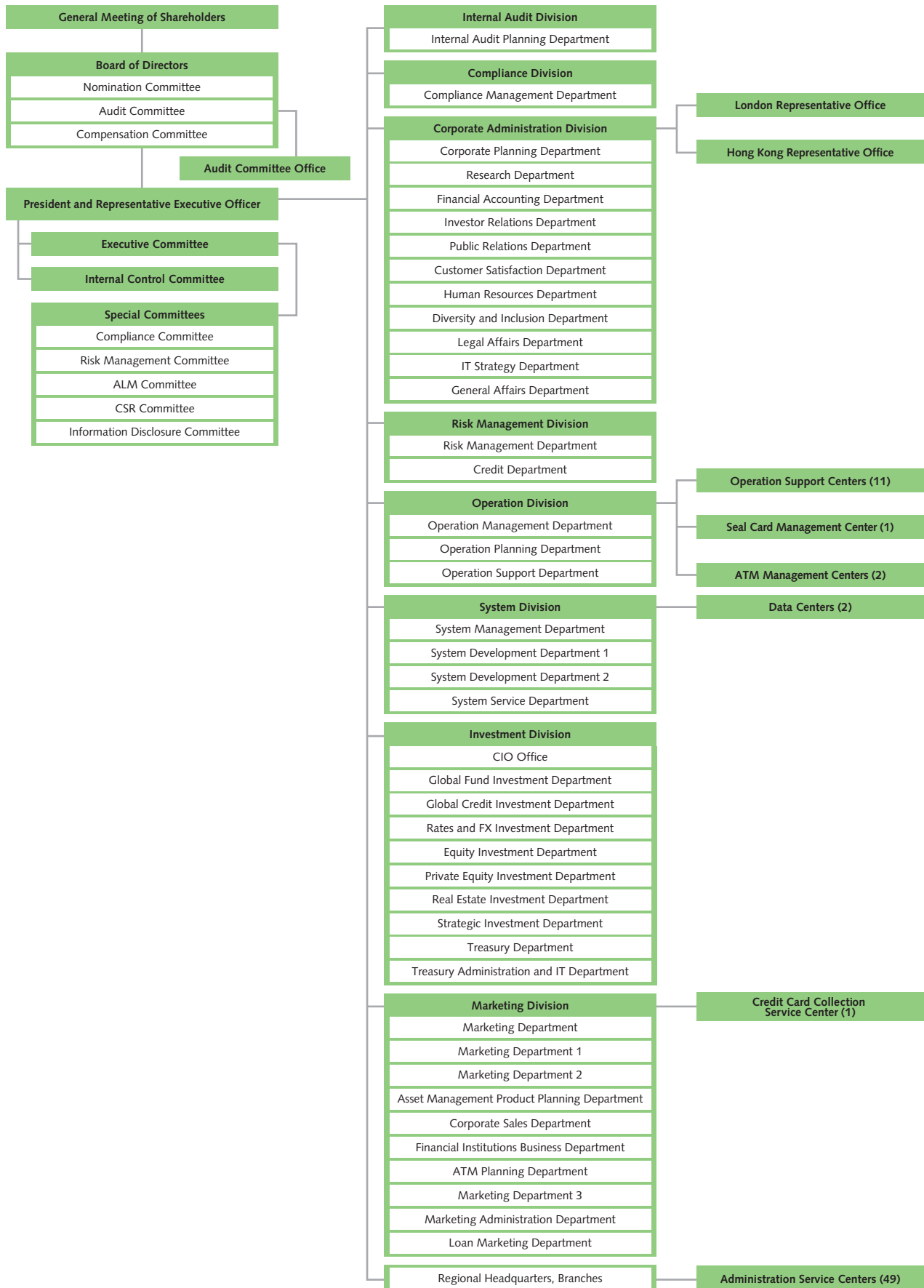
● Risk Management System

(As of July 1, 2017)



Organization

(As of July 1, 2017)



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

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

RESULTS OF OPERATIONS

The following table presents information as to our income, expenses and net income for the fiscal years ended March 31, 2017 and 2016.

	Billions of yen	
	For the fiscal year ended March 31,	
	2017	2016
Interest income	¥1,567.5	¥1,731.2
Interest expenses	348.7	374.9
Net interest income	1,218.7	1,356.2
Fees and commissions income	119.4	123.0
Fees and commissions expenses	32.8	31.8
Net fees and commissions	86.6	91.1
Other operating income	114.3	12.9
Other operating expenses	14.2	13.0
Net other operating income (loss)	100.0	(0.1)
General and administrative expenses	1,054.0	1,064.0
Other income	95.9	101.7
Other expenses	6.7	4.2
Income before income taxes	440.5	480.8
Income taxes—current	133.2	152.5
Income taxes—deferred	(4.9)	3.2
Net income	¥ 312.2	¥ 325.0

Fiscal Year Ended March 31, 2017 Compared to Fiscal Year Ended March 31, 2016

Net Interest Income

Interest Income

Our total interest income decreased by ¥163.7 billion, or 9.4%, from ¥1,731.2 billion in the fiscal year ended March 31, 2016 to ¥1,567.5 billion in the fiscal year ended March 31, 2017, mainly due to a decrease in interest and dividends on securities. Our interest and dividends on securities decreased by ¥135.5 billion, or 8.1%, to ¥1,522.0 billion in the fiscal year ended March 31, 2017. This decrease mainly reflected a decrease in interest on Japanese government bonds, despite an increase in interest on foreign securities. Our interest on loans decreased by ¥7.3 billion, or 29.2%, to ¥17.7 billion in the fiscal year ended March 31, 2017, due to a decrease in interest rates.

Interest Expenses

Our total interest expenses decreased by ¥26.1 billion, or 6.9%, from ¥374.9 billion in the fiscal year ended March 31, 2016 to ¥348.7 billion in the fiscal year ended March 31, 2017, mainly due to a decrease in interest on deposits. Interest expenses on deposits decreased by ¥32.4 billion, or 13.9%, to ¥200.3 billion in the fiscal year ended March 31, 2017, due to a decrease in interest rates.

Net Interest Income

Our net interest income calculated by deducting interest expenses from interest income, decreased by ¥137.5 billion, or 10.1%, from ¥1,356.2 billion in the fiscal year ended March 31, 2016 to ¥1,218.7 billion in the fiscal year ended March 31, 2017. Our interest rate spread was 0.60% for the fiscal year ended March 31, 2017, a decrease from 0.66% for the fiscal year ended March 31, 2016.

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

The following table shows our average asset balances and related interest and average earnings yields of our interest-earning assets for the fiscal years ended March 31, 2017 and 2016. Although we do not have any overseas branches or subsidiaries, since our operations are not divided into reportable segments, we attribute yen-denominated transactions to "domestic" and foreign currency-denominated transactions to "overseas" (except that yen-denominated transactions with non-residents of Japan are included in "overseas") and record income and expenses for each category. Accordingly, the table below shows the average asset balances and interest for "domestic" and "overseas" for the periods indicated.

	Billions of yen, except for percentages					
	For the fiscal year ended March 31,					
	2017			2016		
	Average asset balance ⁽⁴⁾	Interest	Average earnings yield	Average asset balance ⁽⁴⁾	Interest	Average earnings yield
Interest-earning assets:⁽¹⁾						
Loans:						
Domestic	¥ 3,081.1	¥ 17.7	0.57%	¥ 2,681.9	¥ 25.0	0.93%
Overseas	2.1	0.0	0.35	2.6	0.0	0.43
Total ⁽²⁾	3,083.2	17.7	0.57	2,684.5	25.1	0.93
Securities:						
Domestic	92,901.3	926.6	0.99	109,010.3	1,116.5	1.02
Overseas	48,099.3	595.3	1.23	40,072.7	541.0	1.35
Total ⁽²⁾	141,000.6	1,522.0	1.07	149,083.1	1,657.6	1.11
Receivables under securities borrowing transactions:						
Domestic	8,318.6	1.4	0.01	8,586.9	7.9	0.09
Overseas	—	—	—	—	—	—
Total ⁽²⁾	8,318.6	1.4	0.01	8,586.9	7.9	0.09
Due from banks, etc.: ⁽³⁾						
Domestic	47,723.0	24.9	0.05	39,310.3	35.6	0.09
Overseas	81.5	0.9	1.18	777.5	4.7	0.60
Total ⁽²⁾	47,804.5	25.8	0.05	40,087.9	40.3	0.10
Total interest-earning assets:						
Domestic	193,991.9	1,046.5	0.53	192,120.0	1,248.6	0.64
Overseas	48,252.6	596.6	1.23	40,910.4	545.9	1.33
Total ⁽²⁾	¥200,321.0	¥1,567.5	0.78%	¥200,500.2	¥1,731.2	0.86%

Notes: (1) Income earned on money held in trust is included in "other income," and the average balance of money held in trust (¥2,646.2 billion for the fiscal year ended March 31, 2017 and ¥2,450.8 billion for the fiscal year ended March 31, 2016) is excluded from interest-earning assets.

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

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

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

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

The following table shows the average balances and related interest and average interest rates of our interest-bearing liabilities for the fiscal years ended March 31, 2017 and 2016.

	Billions of yen, except for percentages					
	For the fiscal year ended March 31,					
	2017			2016		
	Average liability balance ⁽³⁾	Interest	Average interest rate	Average liability balance ⁽³⁾	Interest	Average interest rate
Interest-bearing liabilities:⁽¹⁾						
Deposits:						
Domestic	¥179,251.8	¥200.3	0.11%	¥177,868.0	¥232.7	0.13%
Overseas	—	—	—	—	—	—
Total ⁽²⁾	179,251.8	200.3	0.11	177,868.0	232.7	0.13
Payables under securities lending transactions:						
Domestic	8,385.2	0.8	0.01	8,650.5	7.3	0.08
Overseas	4,674.2	40.6	0.87	5,500.8	25.8	0.47
Total ⁽²⁾	13,059.5	41.5	0.31	14,151.4	33.2	0.23
Total interest-bearing liabilities:						
Domestic	184,991.1	242.5	0.13	184,078.1	278.0	0.15
Overseas	47,375.5	177.1	0.37	38,370.1	155.5	0.40
Total ⁽²⁾	¥190,443.1	¥343.9	0.18%	¥189,918.1	¥370.1	0.19%

Notes: (1) Expenses incurred on money held in trust are included in "other expenses," and the average balance corresponding to money held in trust (¥2,646.2 billion for the fiscal year ended March 31, 2017 and ¥2,450.8 billion for the fiscal year ended March 31, 2016) and the interest expenses (¥4.7 billion for the fiscal year ended March 31, 2017 and ¥4.7 billion for the fiscal year ended March 31, 2016) are excluded from interest-bearing liabilities.

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

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

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

Our average balance of interest-earning assets decreased by ¥179.2 billion, or 0.0%, from ¥200,500.2 billion in the fiscal year ended March 31, 2016 to ¥200,321.0 billion in the fiscal year ended March 31, 2017. Our average earnings yield on interest-earning assets decreased from 0.86% in the fiscal year ended March 31, 2016 to 0.78% in the fiscal year ended March 31, 2017. As a result, our total interest income on interest-earning assets decreased from ¥1,731.2 billion in the fiscal year ended March 31, 2016 to ¥1,567.5 billion in the fiscal year ended March 31, 2017.

Our average balance of interest-bearing liabilities increased by ¥524.9 billion, or 0.2%, from ¥189,918.1 billion in the fiscal year ended March 31, 2016 to ¥190,443.1 billion in the fiscal year ended March 31, 2017. Our average interest rate on interest-bearing liabilities decreased from 0.19% in the fiscal year ended March 31, 2016 to 0.18% in the fiscal year ended March 31, 2017. As a result, our total interest expenses on interest-bearing liabilities decreased from ¥370.1 billion in the fiscal year ended March 31, 2016 to ¥343.9 billion in the fiscal year ended March 31, 2017.

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

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

	Billions of yen		
	For the fiscal year ended March 31, 2017 versus fiscal year ended March 31, 2016 increase (decrease) due to		
	Balance-related change ⁽¹⁾	Interest-related change ⁽¹⁾	Net change
Interest income:			
Loans:			
Domestic	¥ 3.3	¥ (10.6)	¥ (7.3)
Overseas	(0.0)	(0.0)	(0.0)
Total ⁽²⁾	3.3	(10.6)	(7.3)
Securities:			
Domestic	(161.3)	(28.5)	(189.8)
Overseas	102.0	(47.6)	54.3
Total ⁽²⁾	(88.1)	(47.3)	(135.5)
Receivables under securities borrowing transactions:			
Domestic	(0.2)	(6.2)	(6.4)
Overseas	—	—	—
Total ⁽²⁾	(0.2)	(6.2)	(6.4)
Due from banks, etc.: ⁽³⁾			
Domestic	6.5	(17.2)	(10.7)
Overseas	(6.1)	2.4	(3.7)
Total ⁽²⁾	6.7	(21.1)	(14.4)
Total interest income:			
Domestic	12.0	(214.1)	(202.0)
Overseas	92.8	(42.1)	50.6
Total ⁽²⁾	¥ (1.5)	¥(162.1)	¥(163.7)

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

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

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

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

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

	Billions of yen		
	For the fiscal year ended March 31, 2017 versus fiscal year ended March 31, 2016 increase (decrease) due to		
	Balance-related change ⁽¹⁾	Interest-related change ⁽¹⁾	Net change
Interest expenses:			
Deposits:			
Domestic	¥ 1.7	¥(34.2)	¥(32.4)
Overseas	—	—	—
Total ⁽²⁾	1.7	(34.2)	(32.4)
Payables under securities lending transactions:			
Domestic	(0.2)	(6.2)	(6.4)
Overseas	(4.3)	19.1	14.8
Total ⁽²⁾	(2.7)	11.0	8.3
Total interest expenses:			
Domestic	1.3	(36.9)	(35.5)
Overseas	34.3	(12.7)	21.6
Total ⁽²⁾	¥ 1.0	¥(27.2)	¥(26.1)

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

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

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

Our interest income in the fiscal year ended March 31, 2017 decreased by ¥163.7 billion compared to the previous fiscal year primarily due to a decrease in interest income from domestic securities as a result of a decrease in the balance of these securities, despite an increase in interest income from foreign securities as a result of increases in the balance of such securities.

Our interest expenses in the fiscal year ended March 31, 2017 decreased by ¥26.1 billion compared to the previous fiscal year primarily due to a decrease in interest on deposits as a result of a decrease in interest rates.

Interest Rate Spread

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

	For the fiscal year ended March 31,	
	2017	2016
Yield on interest-earning assets:		
Domestic	0.53%	0.64%
Overseas	1.23	1.33
Total	0.78	0.86
Interest rate on interest-bearing liabilities:		
Domestic	0.13	0.15
Overseas	0.37	0.40
Total	0.18	0.19
Interest rate spread:		
Domestic	0.40	0.49
Overseas	0.86	0.92
Total	0.60%	0.66%

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

Our interest rate spread, for the fiscal year ended March 31, 2017, decreased to 0.60% from 0.66% for the previous fiscal year. This decrease was primarily the result of decreased interest rate spread on domestic assets, reflecting yen interest rates remained at a low level.

Net Fees and Commissions

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

	Billions of yen	
	For the fiscal year ended March 31,	
	2017	2016
Fees and commissions income:		
Fees and commissions on domestic and foreign exchanges	¥ 60.9	¥ 60.9
Other	58.4	62.0
Total	119.4	123.0
Fees and commissions expenses:		
Fees and commissions on domestic and foreign exchanges	3.8	3.6
Other	29.0	28.2
Total	32.8	31.8
Net fees and commissions	¥ 86.6	¥ 91.1

Net fees and commissions decreased by ¥4.5 billion, or 4.9%, from ¥91.1 billion in the fiscal year ended March 31, 2016 to ¥86.6 billion in the fiscal year ended March 31, 2017. Fees and commissions income decreased by ¥3.5 billion, or 2.8%, from ¥123.0 billion in the fiscal year ended March 31, 2016 to ¥119.4 billion in the fiscal year ended March 31, 2017, while fees and commissions expenses increased by ¥0.9 billion to ¥32.8 billion in the fiscal year ended March 31, 2017. This decrease was primarily due to a decrease in fees relating to investment trusts.

Net Other Operating Income (Loss)

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

	Billions of yen	
	For the fiscal year ended March 31,	
	2017	2016
Other operating income:		
Gains on foreign exchanges	¥ 99.3	¥ —
Gains on sales of bonds	11.8	12.9
Other	3.1	—
Total	114.3	12.9
Other operating expenses:		
Losses on foreign exchanges	—	1.4
Losses on sales of bonds	14.2	11.1
Other	—	0.4
Total	14.2	13.0
Net other operating income (loss)	¥100.0	¥ (0.1)

Net other operating income was ¥100.0 billion in the fiscal year ended March 31, 2017 as compared to net other operating loss of ¥0.1 billion in the fiscal year ended March 31, 2016. This was primarily due to an increase in the gains on foreign exchanges.

General and Administrative Expenses

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

	Billions of yen	
	For the fiscal year ended March 31,	
	2017	2016
General and administrative expenses:		
Personnel expenses:		
Salaries and allowances	¥ 101.1	¥ 101.4
Others	22.0	21.8
Total	123.2	123.2
Non-personnel expenses:		
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	612.4	609.4
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. ⁽¹⁾	8.3	9.8
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	66.1	64.4
Rent for land, buildings and others	12.3	11.8
Expenses on consigned businesses	50.7	52.6
Depreciation and amortization	35.3	36.6
Communication and transportation expenses	19.1	19.6
Maintenance expenses	12.6	12.3
IT expenses	16.3	22.2
Others	20.8	25.9
Total	854.3	865.1
Taxes and dues (consumption tax and stamp tax, etc.)	76.4	75.5
Total	¥1,054.0	¥1,064.0

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

Our general and administrative expenses decreased 0.9% from ¥1,064.0 billion in the fiscal year ended March 31, 2016 to ¥1,054.0 billion in the fiscal year ended March 31, 2017. This decrease was mainly due to a decrease in IT expenses.

Other Income and Expenses

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

	Billions of yen	
	For the fiscal year ended March 31,	
	2017	2016
Other income:		
Gains on money held in trust	¥83.0	¥ 93.8
Other	12.8	7.9
Total	95.9	101.7
Other expenses:		
Losses on money held in trust	0.1	0.0
Other	6.6	4.2
Total	6.7	4.2
Net other income (expenses)	¥89.1	¥ 97.5

Other income decreased by ¥5.8 billion, or 5.7%, from ¥101.7 billion in the fiscal year ended March 31, 2016 to ¥95.9 billion in the fiscal year ended March 31, 2017. Other expenses increased by ¥2.5 billion, or 60.5%, from ¥4.2 billion in the fiscal year ended March 31, 2016 to ¥6.7 billion in the fiscal year ended March 31, 2017. As a result, net other income decreased by ¥8.4 billion, or 8.6%, from ¥97.5 billion in the fiscal year ended March 31, 2016 to ¥89.1 billion in the fiscal year ended March 31, 2017. The decrease was primarily due to a decrease in gains on money held in trust as a result of a decrease in gains on the sales of equity securities, which we hold through money held in trust.

Income Taxes

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

	Billions of yen, except for percentages	
	For the fiscal year ended March 31,	
	2017	2016
Income taxes:		
Current	¥133.2	¥152.5
Deferred	(4.9)	3.2
Effective income tax rate	29.1%	32.4%

Current income taxes decreased ¥19.2 billion, and deferred income taxes decreased ¥8.2 billion, for the fiscal year ended March 31, 2017, compared to the previous fiscal year due to tax reforms, which changed the effective statutory tax rate from 33.0% to 30.8%. The effective income tax rate was 29.1% for the fiscal year ended March 31, 2017, 1.7 percentage points lower than the effective statutory tax rate of 30.8%. The lower effective income tax rate primarily relates to the effect of nontaxable dividends received.

Net Income

As a result of the foregoing, net income was ¥312.2 billion in the fiscal year ended March 31, 2017 as compared to net income of ¥325.0 billion in the fiscal year ended March 31, 2016.

FINANCIAL CONDITION

Total Assets

As of March 31, 2017, we had total assets of ¥209,568.8 billion, an increase of ¥2,512.7 billion, or 1.2%, as compared to total assets of ¥207,056.0 billion as of March 31, 2016.

Securities Portfolio

Our securities portfolio totaled ¥138,792.4 billion as of March 31, 2017, a decrease of ¥5,284.3 billion, or 3.6%, from ¥144,076.8 billion as of March 31, 2016. This decrease was mainly due to a decrease in Japanese government bonds of ¥13,450.6 billion, or 16.3%, offset in part by an increase in other securities of overseas, which mainly consisted of foreign securities, by ¥7,519.5 billion, or 16.5%.

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

	Billions of yen	
	As of March 31,	
	2017	2016
Domestic:		
Japanese government bonds	¥ 68,804.9	¥ 82,255.6
Japanese local government bonds	6,082.2	5,856.5
Japanese corporate bonds	10,986.8	10,567.7
Other securities	3.3	1.3
Subtotal	85,877.3	98,681.2
Overseas:		
Other securities	52,915.0	45,395.5
Foreign bonds	20,143.4	19,829.5
Investment trusts	32,726.7	25,520.9
Subtotal	52,915.0	45,395.5
Total	¥138,792.4	¥144,076.8

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

Our investment securities are classified into the following primary categories:

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

Held-to-Maturity Securities

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

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

	Billions of yen				
	As of March 31, 2016				
	Carrying amount	Fair value	Difference	Amount for which fair value exceeds carrying amount	Amount for which fair value does not exceed carrying amount
Japanese government bonds	¥47,897.3	¥49,960.4	¥2,063.0	¥2,063.0	¥—
Japanese local government bonds	341.1	345.1	3.9	3.9	—
Japanese corporate bonds	3,717.2	3,827.9	110.7	110.7	0.0
Others	96.7	127.4	30.6	30.6	—
Foreign bonds	96.7	127.4	30.6	30.6	—
Total	¥52,052.5	¥54,260.9	¥2,208.3	¥2,208.3	¥0.0

The carrying amount of our held-to-maturity securities as of March 31, 2017 was ¥38,316.9 billion, a decrease of ¥13,735.6 billion, or 26.3%, from ¥52,052.5 billion as of March 31, 2016. This decrease was primarily due to a decrease in the amount of Japanese government bonds, as a larger amount of held-to-maturity Japanese government bonds matured during the period than were newly acquired.

Available-for-Sale Securities

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

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

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

	Billions of yen				
	As of March 31, 2016				
	Carrying amount	Acquisition cost	Difference	Amount for which carrying amount exceeds acquisition cost	Amount for which carrying amount does not exceed acquisition cost
Japanese government bonds	¥34,358.2	¥32,613.5	¥1,744.7	¥1,744.8	¥ 0.0
Japanese local government bonds	5,515.3	5,389.6	125.7	126.0	0.3
Japanese corporate bonds	6,850.4	6,683.1	167.3	168.8	1.5
Others	45,562.3	43,727.6	1,834.6	2,278.1	443.5
Foreign bonds	19,732.7	17,764.8	1,967.8	2,152.7	184.8
Investment trusts	25,520.9	25,649.0	(128.0)	124.0	252.0
Total	¥92,286.3	¥88,413.9	¥3,872.4 ⁽¹⁾	¥4,317.9	¥445.4

Note: (1) Of the difference shown above, ¥35.3 billion is included in the statement of income as losses because of the application of fair value hedge accounting.

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

As of March 31, 2017, the carrying amount of our domestic bonds held as available-for-sale securities was ¥47,622.0 billion, an increase of ¥897.9 billion, or 1.9%, from ¥46,724.0 billion as of March 31, 2016. This increase was primarily due to increases in Japanese local government bonds and Japanese corporate bonds. As of March 31, 2017, the carrying amount of other securities was ¥53,044.8 billion, an increase of ¥7,482.5 billion, or 16.4%, from ¥45,562.3 billion as of March 31, 2016. This increase was due to an increase in our holding of foreign securities as part of our efforts to promote sophisticated and diversified investments. As of March 31, 2017, the total difference of carrying amount and acquisition cost for available-for-sale securities was ¥3,282.1 billion, a decrease of ¥590.3 billion from a difference of ¥3,872.4 billion as of March 31, 2016. This decrease was mainly due to a decrease in the difference of carrying amount and acquisition cost of foreign bonds, resulting from fluctuating interest rates and foreign exchange rates.

Impairment Losses on Securities

For the fiscal years ended March 31, 2017 and 2016, no impairment losses were recognized.

Foreign Bonds

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

	Billions of yen, except for percentages			
	As of March 31,			
	2017		2016	
	Outstanding assets	Percentage	Outstanding assets	Percentage
Japanese yen	¥ 5,220.0	25.9%	¥ 5,299.8	26.7%
U.S. dollar	11,515.5	57.1	11,019.0	55.5
Euro	2,929.2	14.5	3,218.5	16.2
Others	478.6	2.3	292.0	1.4
Total	¥20,143.4	100.0%	¥19,829.5	100.0%

As of March 31, 2017, our holdings of U.S. dollar-denominated bonds totaled ¥11,515.5 billion, an increase of ¥496.4 billion, or 4.5%, from ¥11,019.0 billion as of March 31, 2016. As of March 31, 2017, our holdings of Euro-denominated bonds totaled ¥2,929.2 billion, a decrease of ¥289.2 billion, or 8.9%, from ¥3,218.5 billion as of March 31, 2016. As of March 31, 2017, our holdings of foreign bonds totaled ¥20,143.4 billion, an increase of ¥313.9 billion, or 1.5%, from ¥19,829.5 billion as of March 31, 2016. These increases were primarily due to our sophistication and diversification of our investments.

Scheduled Redemption Amounts of Securities

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

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

	Billions of yen						
	As of March 31, 2016						
	One year or less	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years	Total
Japanese government bonds	¥15,866.9	¥17,101.0	¥15,549.6	¥22,318.4	¥ 7,785.6	¥1,779.8	¥ 80,401.4
Japanese local government bonds	504.4	1,318.7	2,177.7	878.8	751.9	29.5	5,661.4
Japanese corporate bonds	1,391.5	3,863.5	2,494.4	531.6	867.1	1,226.7	10,375.1
Other securities	2,689.4	6,028.7	6,354.5	2,448.9	1,718.7	100.2	19,340.6
Total	¥20,452.4	¥28,312.1	¥26,576.3	¥26,177.9	¥11,123.4	¥3,136.3	¥115,778.6

Loans

Unlike other banks in Japan, our lending activities have been limited, primarily due to regulatory restrictions on our lending business. We offer loans secured by deposits, loans secured by Japanese government bonds, loans to local and regional government authorities and credit card loans. We also participate in syndicated loans to corporate borrowers, though never as syndicate manager, and acquire corporate loans and others in the secondary market. As of March 31, 2017, our total outstanding loan amount was ¥4,064.1 billion.

As of March 31, 2017 and 2016, there were no "Loans to bankrupt borrowers," "Non-accrual delinquent loans," "Past-due loans for three months or more," and "Restructured loans."

The substantial majority of our loans are made to domestic borrowers. As of March 31, 2017, we had ¥4,064.1 billion in domestic loans and no overseas loans.

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

	Billions of yen, except for percentages			
	As of March 31,			
	2017		2016	
	Amount	Percentage	Amount	Percentage
Domestic (excluding Japan Offshore Market accounts):				
Agriculture, forestry, fisheries, and mining	—	—	—	—
Manufacturing	¥ —	—%	¥ 51.8	2.0%
Utilities, information/communications, and transportation	75.8	1.8	83.7	3.2
Wholesale and retail	10.5	0.2	—	—
Finance and insurance ⁽¹⁾	1,311.2	32.2	1,525.9	60.1
Construction and real estate	14.0	0.3	12.1	0.4
Services and goods rental/leasing	23.0	0.5	26.1	1.0
Central and local governments	2,440.0	60.0	638.1	25.1
Others	189.4	4.6	200.7	7.9
Subtotal	4,064.1	100.0	2,538.7	100.0
Overseas and Japan Offshore Market accounts:				
Governments	—	—	—	—
Financial institutions	—	—	—	—
Others	—	—	3.3	100.0
Subtotal	—	—	3.3	100.0
Total	¥4,064.1		¥2,542.0	

Notes: (1) Of "Finance and insurance," loans to the Management Organization for Postal Savings and Postal Life Insurance ("Management Organization") were ¥951.2 billion and ¥1,216.7 billion as of March 31, 2017 and 2016, respectively.

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

As of March 31, 2017, our loans were ¥4,064.1 billion, or 1.9% of total assets, representing an increase of ¥1,522.0 billion, or 59.8%, from March 31, 2016. The increase in our loans was due to an increase in the balance of loans to the Central and local governments.

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

	Billions of yen						
	As of March 31, 2017						
	One year or less	More than one year to three years	More than three years to five years	More than five years to seven years	More than seven years to ten years	Over ten years	Total
Loans	¥2,400.5	¥725.9	¥405.2	¥217.6	¥221.9	¥89.8	¥4,061.3

Money Held in Trust

We hold money held in trust for purposes other than trading or held-to-maturity and money held in trust is classified as available-for-sale securities. We did not hold money held in trust for the purpose of trading or held-to-maturity as of March 31, 2017 and 2016. Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2017 and 2016 was as follows:

	Billions of yen, except for percentages			
	As of March 31,			
	2017		2016	
	Outstanding assets	Percentage	Outstanding assets	Percentage
Domestic stocks	¥2,079.2	61.7%	¥1,878.6	59.2%
Domestic bonds	1,274.1	37.8	1,293.4	40.7
Foreign stocks	0.0	0.0	0.0	0.0
Real estate funds	14.6	0.4	—	—
Total	¥3,368.1	100.0%	¥3,172.0	100.0%

Note: (1) Cash, deposits, etc. are excluded.

Assets in respect of money held in trust are primarily held in Japanese yen. As of March 31, 2017, our investments in stocks have been mainly through money held in trust, and such investments have been made for the purpose of further promoting sophistication and diversification of our investments.

Sources of Funding and Liquidity

Deposits

Our primary source of funding is from deposits, mainly TEIGAKU deposits and ordinary deposits. The balance of deposits as of March 31, 2017 was ¥179.4 trillion. TEIGAKU deposits can be withdrawn any time six months after the initial deposit. The interest rates on such deposits rise every six months in a staircase pattern, with duration of up to three years. After three years, the interest is compounded using fixed interest rates until the maturity of 10 years. Ordinary deposits are demand deposits designed for day-to-day use and can be used for automatic withdrawals, direct deposits and other settlement transactions. Most of our deposits are from retail customers. All of our deposits are denominated in Japanese yen. As of March 31, 2017, our deposits of ¥179.4 trillion exceeded our securities of ¥138.7 trillion by ¥40.6 trillion, and our security-deposit ratio was 77.3%. These deposits provide us with a source of stable and low-cost funds. We continuously monitor fluctuations in the respective types of deposits from time to time relative to fluctuating market conditions to manage the impact of such fluctuations on our interest rate spread and liquidity.

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

	Billions of yen, except for percentages			
	As of March 31,			
	2017		2016	
	Amount	Percentage	Amount	Percentage
Liquid deposits ⁽¹⁾	¥ 67,994.9	37.8%	¥ 63,834.9	35.8%
Transfer deposits	13,052.1	7.2	13,874.6	7.8
Ordinary deposits, etc. ⁽²⁾	54,550.8	30.4	49,571.8	27.8
Savings deposits	391.9	0.2	388.4	0.2
Fixed-term deposits ⁽³⁾	111,280.7	62.0	113,852.8	64.0
Time deposits	10,065.1	5.6	11,441.1	6.4
TEIGAKU deposits, etc. ⁽⁴⁾	101,215.5	56.4	102,410.6	57.5
Other deposits	159.0	0.0	184.1	0.1
Subtotal	179,434.6	100.0	177,871.9	100.0
Negotiable certificates of deposit	—	—	—	—
Total	¥179,434.6	100.0%	¥177,871.9	100.0%

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

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

(3) Fixed-term deposits = time deposits + TEIGAKU deposits, etc. + special deposits (those equivalent to education installment deposits).

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

The total balance of deposits as of March 31, 2017 was ¥179,434.6 billion, an increase of ¥1,562.6 billion from ¥177,871.9 billion as of March 31, 2016.

The following table sets forth a breakdown of our deposits by retail and corporate clients:

	Billions of yen	
	As of March 31,	
	2017	2016
Retail	¥163,886.7	¥154,412.0
Corporate	4,414.5	4,492.4
Total	¥168,301.2	¥158,904.4

Notes: (1) Special deposits (deposits received from the Management Organization corresponding to Postal Savings Deposits that were passed on to the Management Organization by Japan Post Corporation) are excluded. The balance of special deposits was ¥11,133.3 billion and ¥18,967.5 billion as of March 31, 2017 and 2016, respectively.

(2) Special savings and ordinary remittances and postal orders are entirely included in "Corporate."

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

	Billions of yen						Total
	As of March 31, 2017						
	Less than three months	Three months to less than six months	Six months to less than one year	One year to less than two years	Two years to less than three years	Three years or more	
Fixed interest rates	¥1,883.9	¥2,066.6	¥4,844.9	¥594.2	¥527.9	¥147.4	¥10,065.1
Floating interest rates	—	—	—	—	—	—	—
Other time deposits	—	—	—	—	—	—	—

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

	Billions of yen					Total
	As of March 31, 2017					
	Less than one year	One year to less than three years	Three years to less than five years	Five years to less than seven years	Seven years or more	
TEIGAKU Deposits, etc.	¥15,103.8	¥18,601.9	¥25,497.1	¥13,861.7	¥28,150.8	¥101,215.5

Notes: (1) TEIGAKU deposits and special deposits (equivalent to TEIGAKU deposits) are based on the balance by remaining time to maturity.

(2) Special deposits are deposits received from the Management Organization corresponding to Postal Savings Deposits that were passed on to the Management Organization by Japan Post Corporation.

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

Due from Banks and Interbank Funding

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

	Billions of yen	
	As of March 31,	
	2017	2016
Due from banks	¥51,120.5	¥45,744.3

Net Assets

The table below presents information relating to our net assets as of March 31, 2017 and 2016:

	Billions of yen, except for percentages	
	As of March 31,	
	2017	2016
Capital stock	¥ 3,500.0	¥ 3,500.0
Capital surplus	4,296.2	4,296.2
Retained earnings	2,233.7	2,108.9
Treasury stock	(1,300.4)	(1,299.9)
Total shareholders' equity	8,729.6	8,605.2
Net unrealized gains (losses) on available-for-sale securities	3,166.9	3,322.8
Net deferred gains (losses) on hedges	(116.5)	(419.9)
Total valuation and translation adjustments	3,050.4	2,902.8
Net assets	¥11,780.0	¥11,508.1
Net assets as a percentage of total assets	5.6%	5.5%

Net assets as of March 31, 2017 was ¥11,780.0 billion, an increase of ¥271.8 billion, or 2.3%, compared to March 31, 2016. The increase was primarily due to an increase in retained earnings and an increase in total valuation and translation adjustments as a result of market fluctuations.

CAPITAL RESOURCE MANAGEMENT

Capital Adequacy Ratio

As determined under the Banking Act of Japan, our capital adequacy ratio (non-consolidated, domestic standard) as of March 31, 2017 was 22.22%, a decrease of 4.16 percentage points from March 31, 2016.

Total risk-based capital, the numerator of the ratio, was ¥8,616.9 billion, an increase of ¥117.6 billion from ¥8,499.3 billion as of March 31, 2016.

Risk-weighted assets, which correspond to the denominator of the ratio, amounted to ¥38,779.8 billion, representing an increase of ¥6,561.2 billion from ¥32,218.5 billion as of March 31, 2016.

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

	Millions of yen		Y-o-Y change
	As of March 31,		
	2017	2016	
Core Capital: instruments and reserves (A)	¥ 8,636,164	¥ 8,511,796	¥ 124,368
Core Capital: regulatory adjustments (B)	19,224	12,471	6,753
Total risk-based capital (A)-(B)=(C)	8,616,940	8,499,325	117,615
Total amount of risk-weighted assets (D)	38,779,806	32,218,529	6,561,277
Credit risk-weighted assets	35,906,558	29,253,213	6,653,344
Market risk equivalent / 8%	—	—	—
Operational risk equivalent / 8%	2,873,248	2,965,316	(92,067)
Capital adequacy ratio (C)/(D) (%)	22.22	26.38	(4.16)

Dividends

Our total dividend payment for the fiscal year ended March 31, 2017 was ¥187.4 billion. The dividend per share was ¥50.00 and the dividend payout ratio was 60.03%.

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

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

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

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

Compliance with Basel Regulations

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

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

As of March 31, 2017, our capital adequacy ratio was 22.22%, above the regulatory level (4%, domestic standard).

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

Integrated Risk Management

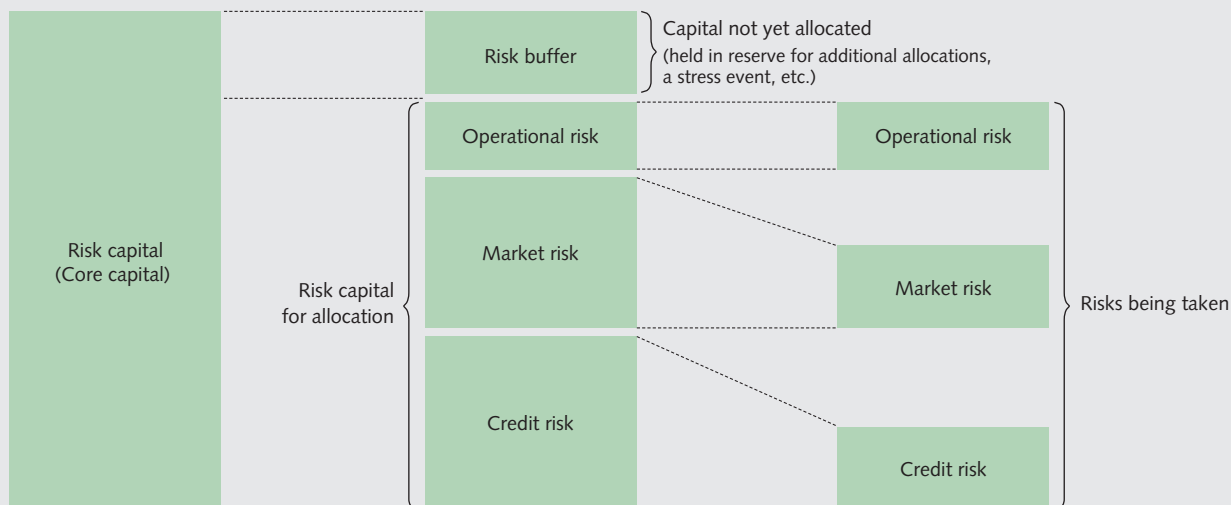
We broadly classify and define risks into five categories: market, market liquidity, funding liquidity, credit, and operational risks. We manage these risks using both quantitative and qualitative approaches.

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

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

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

Risk Capital Allocation



MARKET RISK MANAGEMENT / MARKET LIQUIDITY RISK MANAGEMENT

Market Risk Management System

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

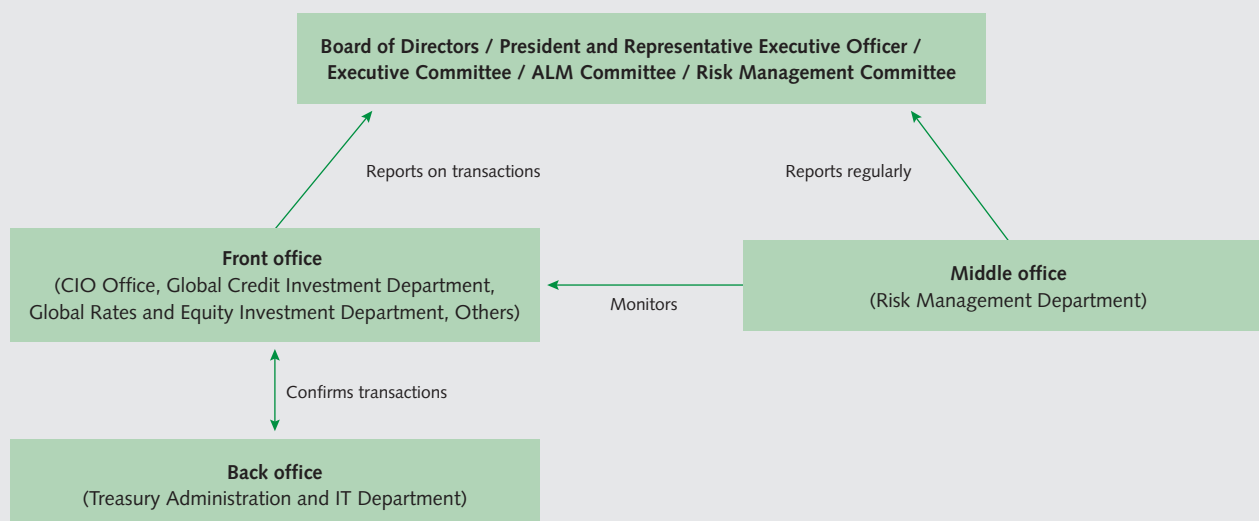
We use the VaR statistical method to quantify market risk. We adjust our market risk frameworks and loss limits in order to ensure that market risk does not exceed risk capital allocated for this purpose. We conduct risk monitoring and management on an on-going basis, and also carry out stress testing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

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

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

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

Market Risk Management System



Market Risk Measurement Model

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

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

Since October 2016, negative interest rates have become the norm for yen interest rates. To perform calculations that more closely reflect current conditions, we changed our methodologies to accommodate negative interest rates.

Stress Testing

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

Market Liquidity Risk Management

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

Market Risk Exposure

In the fiscal year ended March 31, 2017, our VaR was as follows:

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

VaR (From April 1, 2016 to March 31, 2017)

	Billions of yen			
	Year-end	Maximum	Minimum	Average
Fiscal year ended March 31, 2017	¥2,413.7	¥2,679.1	¥1,478.9	¥2,008.3

FUNDING LIQUIDITY RISK MANAGEMENT

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

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

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

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

CREDIT RISK MANAGEMENT

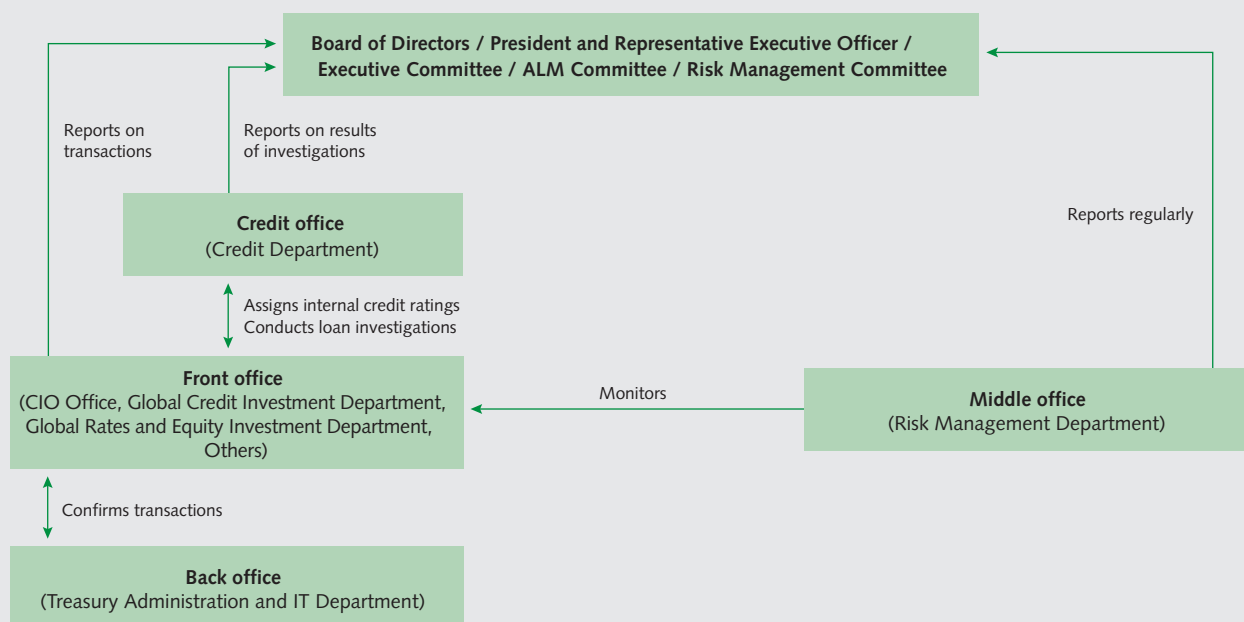
Credit Risk Management System

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

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

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

Credit Risk Management System



Basic Principles of the Credit Code

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

Measuring Credit Risk

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

Stress Tests

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

Internal Credit Ratings

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

Internal Credit Rating System

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

Self-assessments, Write-Offs, and Reserves

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

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

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

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

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

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

Asset Classifications

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

Management of Individual Borrowers

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

OPERATIONAL RISK MANAGEMENT

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

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

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

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

Non-Consolidated Financial Statements

NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Assets:			
Cash and due from banks (Notes 19, 22 and 23):	¥ 51,281,921	¥ 45,895,068	\$ 457,098,867
Cash	161,372	150,763	1,438,383
Due from banks	51,120,549	45,744,305	455,660,483
Call loans (Note 22)	470,000	978,837	4,189,321
Receivables under securities borrowing transactions (Note 22)	8,718,905	7,923,229	77,715,531
Monetary claims bought (Notes 22 and 23)	252,214	178,509	2,248,099
Trading account securities (Notes 22 and 23):	9	187	85
Trading Japanese government bonds	9	187	85
Money held in trust (Notes 22 and 23)	3,817,908	3,561,110	34,030,737
Securities (Notes 8, 21, 22, 23 and 24):	138,792,448	144,076,834	1,237,119,603
Japanese government bonds	68,804,989	82,255,654	613,289,858
Japanese local government bonds	6,082,225	5,856,509	54,213,615
Japanese corporate bonds	10,986,829	10,567,710	97,930,562
Other securities	52,918,403	45,396,959	471,685,566
Loans (Notes 22 and 25):	4,064,120	2,542,049	36,225,333
Loans on deeds	3,866,110	2,322,098	34,460,381
Overdrafts	198,009	219,951	1,764,951
Foreign exchanges (Note 3)	78,646	25,328	701,015
Other assets (Notes 4, 8 and 22)	1,871,733	1,573,316	16,683,601
Tangible fixed assets (Note 5)	175,825	182,733	1,567,210
Intangible fixed assets (Note 6)	46,183	44,865	411,655
Customers' liabilities for acceptances and guarantees (Note 7)	—	75,000	—
Reserve for possible loan losses (Note 22)	(1,096)	(1,030)	(9,774)
Total assets	¥209,568,820	¥207,056,039	\$1,867,981,288

See notes to non-consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Liabilities:			
Deposits (Notes 8, 9 and 22)	¥179,434,686	¥177,871,986	\$1,599,382,174
Call money (Note 22)	45,436	22,536	405,000
Payables under repurchase agreements (Notes 8 and 22)	960,937	554,522	8,565,269
Payables under securities lending transactions (Notes 8 and 22)	13,694,294	13,123,558	122,063,414
Commercial paper (Note 22)	40,324	—	359,427
Foreign exchanges (Note 3)	407	338	3,630
Other liabilities (Notes 10 and 22)	2,185,197	2,532,920	19,477,647
Reserve for bonuses	6,007	6,020	53,546
Reserve for employees' retirement benefits (Note 26)	148,800	149,720	1,326,329
Reserve for management board benefit trust	43	—	388
Reserve for reimbursement of deposits	2,096	—	18,687
Deferred tax liabilities (Note 27)	1,270,550	1,211,286	11,324,989
Acceptances and guarantees (Notes 7 and 8)	—	75,000	—
Total liabilities	197,788,782	195,547,888	1,762,980,504
Contingent liabilities (Note 11)			
Net assets (Note 18):			
Capital stock (Note 12)	3,500,000	3,500,000	31,197,076
Capital surplus	4,296,285	4,296,285	38,294,731
Retained earnings	2,233,759	2,108,969	19,910,508
Treasury stock	(1,300,411)	(1,299,999)	(11,591,151)
Total shareholders' equity	8,729,634	8,605,256	77,811,165
Net unrealized gains (losses) on available-for-sale securities (Note 23)	3,166,980	3,322,827	28,228,725
Net deferred gains (losses) on hedges	(116,577)	(419,932)	(1,039,107)
Total valuation and translation adjustments	3,050,403	2,902,894	27,189,618
Total net assets	11,780,037	11,508,150	105,000,783
Total liabilities and net assets	¥209,568,820	¥207,056,039	\$1,867,981,288

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

For the fiscal years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Income:			
Interest income:	¥1,567,512	¥1,731,217	\$13,971,948
Interest on loans	17,748	25,103	158,201
Interest and dividends on securities	1,522,075	1,657,623	13,566,942
Interest on call loans	636	5,307	5,675
Interest on receivables under securities borrowing transactions	1,471	7,958	13,111
Interest on deposits with banks	23,974	33,977	213,691
Other interest income	1,607	1,247	14,324
Fees and commissions:	119,465	123,019	1,064,846
Fees and commissions on domestic and foreign exchanges	60,991	60,921	543,641
Other fees and commissions	58,474	62,097	521,205
Other operating income (Note 13)	114,371	12,953	1,019,446
Other income (Note 14)	95,931	101,797	855,082
Total income	1,897,281	1,968,987	16,911,323
Expenses:			
Interest expenses:	348,746	374,928	3,108,531
Interest on deposits	200,373	232,795	1,786,015
Interest on call money	566	630	5,052
Interest on payables under repurchase agreements	6,620	1,795	59,007
Interest on payables under securities lending transactions	41,542	33,233	370,284
Interest on commercial paper	54	—	483
Interest on borrowings	0	—	0
Interest on interest rate swaps	97,547	105,571	869,484
Other interest expenses	2,042	902	18,203
Fees and commissions:	32,845	31,879	292,770
Fees and commissions on domestic and foreign exchanges	3,814	3,653	34,000
Other fees and commissions	29,031	28,225	258,770
Other operating expenses (Note 15)	14,280	13,076	127,289
General and administrative expenses (Note 16)	1,054,053	1,064,004	9,395,252
Other expenses (Note 17)	6,758	4,209	60,242
Total expenses	1,456,684	1,488,098	12,984,086
Income before income taxes	440,596	480,888	3,927,237
Income taxes (Note 27):			
Current	133,287	152,528	1,188,048
Deferred	(4,954)	3,291	(44,162)
Total income taxes	128,332	155,819	1,143,886
Net income	¥ 312,264	¥ 325,069	\$ 2,783,351

Per Share of Common Stock

	Yen		U.S. dollars (Note 1)
	2017	2016	2017
Basic net income (Note 31)	¥83.28	¥86.69	\$0.74

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the fiscal years ended March 31, 2017 and 2016

	Millions of yen						
	Shareholders' equity						Total shareholders' equity
	Capital stock	Capital surplus			Retained earnings		
Legal capital surplus		Other capital surplus	Total capital surplus	Other retained earnings	Treasury stock		
2017							
Balance at the beginning of the fiscal year	¥3,500,000	¥4,296,285	¥—	¥4,296,285	¥2,108,969	¥(1,299,999)	¥8,605,256
Changes during the fiscal year:							
Cash dividends					(187,473)		(187,473)
Net income					312,264		312,264
Repurchase of treasury stock						(418)	(418)
Disposal of treasury stock			(0)	(0)		6	6
Transfer of loss on disposal of treasury stock			0	0	(0)		—
Net changes in items other than shareholders' equity							
Total changes during the fiscal year	—	—	—	—	124,790	(411)	124,378
Balance at the end of the fiscal year	¥3,500,000	¥4,296,285	¥—	¥4,296,285	¥2,233,759	¥(1,300,411)	¥8,729,634

	Millions of yen			
	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
2017				
Balance at the beginning of the fiscal year	¥3,322,827	¥(419,932)	¥2,902,894	¥11,508,150
Changes during the fiscal year:				
Cash dividends				(187,473)
Net income				312,264
Repurchase of treasury stock				(418)
Disposal of treasury stock				6
Transfer of loss on disposal of treasury stock				—
Net changes in items other than shareholders' equity	(155,846)	303,355	147,508	147,508
Total changes during the fiscal year	(155,846)	303,355	147,508	271,887
Balance at the end of the fiscal year	¥3,166,980	¥(116,577)	¥3,050,403	¥11,780,037

	Thousands of U.S. dollars (Note 1)						
	Shareholders' equity						Total shareholders' equity
	Capital stock	Capital surplus			Retained earnings		
Legal capital surplus		Other capital surplus	Total capital surplus	Other retained earnings	Treasury stock		
2017							
Balance at the beginning of the fiscal year	\$31,197,076	\$38,294,731	\$—	\$38,294,731	\$18,798,195	\$(11,587,479)	\$76,702,523
Changes during the fiscal year:							
Cash dividends					(1,671,037)		(1,671,037)
Net income					2,783,351		2,783,351
Repurchase of treasury stock						(3,727)	(3,727)
Disposal of treasury stock			(0)	(0)		56	56
Transfer of loss on disposal of treasury stock			0	0	(0)		—
Net changes in items other than shareholders' equity							
Total changes during the fiscal year	—	—	—	—	1,112,313	(3,671)	1,108,641
Balance at the end of the fiscal year	\$31,197,076	\$38,294,731	\$—	\$38,294,731	\$19,910,508	\$(11,591,151)	\$77,811,165

	Thousands of U.S. dollars (Note 1)			
	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
2017				
Balance at the beginning of the fiscal year	\$29,617,854	\$(3,743,047)	\$25,874,806	\$102,577,330
Changes during the fiscal year:				
Cash dividends				(1,671,037)
Net income				2,783,351
Repurchase of treasury stock				(3,727)
Disposal of treasury stock				56
Transfer of loss on disposal of treasury stock				—
Net changes in items other than shareholders' equity	(1,389,128)	2,703,940	1,314,811	1,314,811
Total changes during the fiscal year	(1,389,128)	2,703,940	1,314,811	2,423,453
Balance at the end of the fiscal year	\$28,228,725	\$(1,039,107)	\$27,189,618	\$105,000,783

See notes to non-consolidated financial statements.

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

	Millions of yen							
	Shareholders' equity						Total shareholders' equity	
	Capital stock	Capital surplus			Retained earnings			Treasury stock
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings			
Retained earnings brought forward					Retained earnings			
2016								
Balance at the beginning of the fiscal year	¥3,500,000	¥4,296,285	¥—	¥4,296,285	¥1,968,617	¥(1,299,999)	¥8,464,904	
Changes during the fiscal year:								
Cash dividends					(184,717)		(184,717)	
Net income					325,069		325,069	
Repurchase of treasury stock							—	
Disposal of treasury stock							—	
Transfer of loss on disposal of treasury stock							—	
Net changes in items other than shareholders' equity							—	
Total changes during the fiscal year	—	—	—	—	140,351	—	140,351	
Balance at the end of the fiscal year	¥3,500,000	¥4,296,285	¥—	¥4,296,285	¥2,108,969	¥(1,299,999)	¥8,605,256	

	Millions of yen				
	Valuation and translation adjustments			Total net assets	
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges			Total valuation and translation adjustments
		Net unrealized gains (losses) on hedges	Net deferred gains (losses) on hedges		
Net unrealized gains (losses) on hedges					
2016					
Balance at the beginning of the fiscal year	¥3,824,643	¥(659,335)	¥3,165,307	¥11,630,212	
Changes during the fiscal year:					
Cash dividends				(184,717)	
Net income				325,069	
Repurchase of treasury stock				—	
Disposal of treasury stock				—	
Transfer of loss on disposal of treasury stock				—	
Net changes in items other than shareholders' equity	(501,816)	239,403	(262,413)	(262,413)	
Total changes during the fiscal year	(501,816)	239,403	(262,413)	(122,061)	
Balance at the end of the fiscal year	¥3,322,827	¥(419,932)	¥2,902,894	¥11,508,150	

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fiscal years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Cash flows from operating activities:			
Income before income taxes	¥ 440,596	¥ 480,888	\$ 3,927,237
Adjustments for:			
Depreciation and amortization	35,306	36,666	314,705
Losses on impairment of fixed assets	958	5	8,545
Net change in reserve for possible loan losses	65	(24)	585
Net change in reserve for bonuses	(12)	438	(113)
Net change in reserve for employees' retirement benefits	(919)	(746)	(8,192)
Net change in reserve for management board benefit trust	43	—	388
Net change in reserve for reimbursement of deposits	2,096	—	18,687
Interest income	(1,567,512)	(1,731,217)	(13,971,948)
Interest expenses	348,746	374,928	3,108,531
Losses (gains) related to securities—net	2,365	(5,078)	21,086
Losses (gains) on money held in trust—net	(82,930)	(93,867)	(739,199)
Foreign exchange losses (gains)—net	(80,125)	274,924	(714,195)
Losses (gains) on sales and disposals of fixed assets—net	529	1,103	4,723
Net change in loans	(1,523,548)	240,481	(13,580,078)
Net change in deposits	1,562,699	161,209	13,929,048
Net change in negotiable certificates of deposit	20,000	620,000	178,269
Net change in call loans, etc.	433,886	923,288	3,867,425
Net change in receivables under securities borrowing transactions	(795,676)	450,855	(7,092,219)
Net change in call money, etc.	429,316	577,058	3,826,689
Net change in commercial paper	40,324	—	359,427
Net change in payables under securities lending transactions	570,736	(446,640)	5,087,228
Net change in foreign exchange assets	(53,318)	24,003	(475,247)
Net change in foreign exchange liabilities	68	72	610
Interest received	1,616,246	1,875,027	14,406,335
Interest paid	(449,819)	(235,284)	(4,009,444)
Other—net	(80,150)	99,727	(714,416)
Subtotal	869,973	3,627,821	7,754,469
Income taxes paid	(152,485)	(181,785)	(1,359,172)
Net cash provided by operating activities	717,488	3,446,036	6,395,296
Cash flows from investing activities:			
Purchases of securities	(21,160,856)	(25,203,413)	(188,616,245)
Proceeds from sales of securities	1,410,489	9,810,599	12,572,323
Proceeds from maturity of securities	24,619,351	25,650,370	219,443,367
Investment in money held in trust	(14,645)	(850,000)	(130,539)
Proceeds from disposition of money held in trust	54,947	586,748	489,772
Purchases of tangible fixed assets	(19,227)	(32,274)	(171,380)
Proceeds from sales of tangible fixed assets	0	11	6
Purchases of intangible fixed assets	(14,608)	(9,610)	(130,212)
Other—net	1,282	(54)	11,432
Net cash provided by investing activities	4,876,733	9,952,376	43,468,525
Cash flows from financing activities:			
Repurchase of treasury stock	(418)	—	(3,727)
Proceeds from disposal of treasury stock	0	—	0
Cash dividends paid	(187,297)	(184,717)	(1,669,470)
Net cash used in financing activities	(187,716)	(184,717)	(1,673,198)
Effect of exchange rate changes on cash and cash equivalents	347	323	3,093
Net change in cash and cash equivalents	5,406,853	13,214,018	48,193,717
Cash and cash equivalents at the beginning of the fiscal year	45,810,068	32,596,050	408,325,775
Cash and cash equivalents at the end of the fiscal year (Note 19)	¥ 51,216,921	¥ 45,810,068	\$ 456,519,492

See notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Fiscal years ended March 31, 2017 and 2016

1. Basis of Presenting Financial Statements

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

The Bank has no subsidiaries to be consolidated. Accordingly, the consolidated financial statements are not presented herein.

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

The "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan ("ASBJ") Statement No. 25 revised on September 13, 2013) requires companies to present the statements of comprehensive income. However, the standard does not apply to the non-consolidated financial statements for the time being. The Bank prepares only the non-consolidated financial statements. Accordingly, the statements of comprehensive income are not presented herein.

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

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

The financial statements are stated in Japanese yen, the currency of the country in which the Bank 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 ¥112.19 to US\$1.00, the approximate rate of exchange as of March 31, 2017. 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 are stated at fair value;
- (2) Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost (straight-line method) determined by the moving-average method;
- (3) Investments in affiliates are stated at cost determined by the moving-average method; and
- (4) Available-for-sale securities that are not classified as either of the aforementioned securities are primarily carried at the fiscal year-end market prices (cost of securities sold is calculated using primarily the moving-average method). However, available-for-sale securities that are deemed to be extremely difficult to determine a fair value are stated at cost determined by the moving-average method. Net unrealized gains

and losses including foreign exchange fluctuations, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations, net of applicable income taxes, are stated in a separate component of net assets.

Securities invested in money held in trust are stated at fair value. The balance sheet amounts are stated respectively at the average market price of the final month of the fiscal years 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). However, the securities that are deemed to be extremely difficult to determine a fair value are stated at cost determined by the moving-average method. Unrealized gains and losses on available-for-sale securities, net of applicable income taxes, are stated in a separate component of net assets.

- b. **Tangible Fixed Assets**—Depreciation of tangible fixed assets is computed by the straight-line method. The range of useful lives is principally from 3 to 50 years for buildings and from 2 to 75 years for others.
- 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 over the estimated useful life (mainly 5 years).
- d. **Reserve for Possible Loan Losses**—The reserve for possible loan losses is provided for in accordance with the prescribed standards for write-offs and reserves as described below:
 - Loans to normal borrowers and borrowers requiring caution, as provided by “Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions” (Japanese Institute of Certified Public Accountants (JICPA), Special Committee for Audits of Banks, etc., Report No. 4, released on July 4, 2012), are classified into certain groups, and a reserve is provided for each group based on the estimated rate of loan losses.
 - For loans to doubtful borrowers, a reserve is provided in the amount of loans, net of amounts expected to be collected through disposition of collateral or through execution of guarantees, and considered to be necessary based on a solvency assessment. For loans to bankrupt or substantially bankrupt borrowers, a reserve is provided based on the amount of loans, net of amounts expected to be collected through disposition of collateral or to be recoverable under guarantees.
 - All loans are assessed initially by the marketing and other departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the marketing and other departments, reviews these self-assessments.
- e. **Reserve for Bonuses**—The reserve for bonuses is provided for the estimated amount of employees' bonuses attributable to the fiscal year.
- f. **Reserve for Employees' Retirement Benefits**—The reserve for employees' retirement benefits, which is provided for future payments to employees, is recorded in the amount deemed accrued based on the projected benefit obligation as of March 31, 2017. The method of attributing projected benefit obligation to periods ending on or before March 31, 2017 is by the benefit formula basis.
 - Prior service cost is amortized using the straight-line method for a fixed period (10 years), within the employees' average remaining service period.
 - Actuarial gains and losses are amortized using the straight-line method for a fixed period (10 years), within the employees' average remaining service period, from the following year after they are incurred.
- g. **Reserve for Management Board Benefit Trust**—The reserve for management board benefit trust, which is provided for the payment of the Bank's shares, etc. to Executive Officers, is recorded in the amount expected to be incurred at the end of the fiscal year based on the estimated amount of stock benefit obligations at the end of the fiscal year.

- h. Reserve for Reimbursement of Deposits**—The reserve for reimbursement of deposits, which is provided for depositor's requests for refunds in relation to deposits that are no longer recorded as liabilities, is recorded in the amount of expected losses to be incurred, which is estimated based on future requests for refunds.
- i. 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.
- j. Derivatives and Hedging Activities**—Derivatives are stated at fair value.
- Hedging against interest rate risks:
The Bank uses interest rate swaps to reduce its exposure to interest rate risk on its monetary assets.
The Bank applies the deferred hedge accounting method for hedges of interest rate risk on its monetary assets.
Evaluating the effectiveness of hedges, the Bank considers the hedges deemed to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items are almost the same as the hedging instruments, which allows the interest rate swaps to meet conditions stipulated for special accounting treatment for interest rate swaps.
Hedging against foreign exchange fluctuation risks:
The 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 fluctuations.
In order to hedge risk arising from volatility of exchange rates for securities denominated in foreign currencies, the Bank applies portfolio hedges, on the conditions that the hedged foreign securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged foreign securities denominated in the same foreign currencies.
In case of the individual hedges, the Bank considers its hedges to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items and the hedging instruments are almost the same.
- k. 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 sheets, excluding negotiable certificates of deposit in other banks.
- l. 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.
- m. Income Taxes**—Prior to November 4, 2015, the Bank had adopted the consolidated taxation system designating JAPAN POST HOLDINGS Co., Ltd. as the parent company. However, the Bank ceased to be a wholly-owned subsidiary of JAPAN POST HOLDINGS Co., Ltd. due to the listing of the Bank's shares on November 4, 2015 and therefore is no longer included in the consolidated taxation group designating JAPAN POST HOLDINGS Co., Ltd. as the consolidated parent company.
- n. Additional Information**
- (1) Guidance on Recoverability of Deferred Tax Assets**—The Bank has adopted the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, released on March 28, 2016) from the fiscal year ended March 31, 2017.
- (2) Transactions for Delivery of the Bank's Shares, etc. to its Executive Officers through Trusts**—Effective from the fiscal year ended March 31, 2017, the Bank introduced a performance-linked stock compensation system using a trust for the Bank's Executive Officers. Regarding the accounting treatment of relevant trust agreements, the Bank adopted the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issues Task Force (PITF) No. 30, released on March 26, 2015).

a) Overview of transactions

The Bank grants points to its Executive Officers in accordance with the Stock Benefit Regulations, and delivers the Bank's shares to Executive Officers who have satisfied the beneficiary requirements as set forth in the Stock Benefit Regulations (hereinafter the "beneficiary") in accordance with the number of points granted to the beneficiary. A certain portion of the Bank's shares scheduled to be delivered will be converted into cash and the money will be paid by the trust (the management board benefit trust). As for shares which the Bank intends to deliver to its Executive Officers, a trust bank acquires the Bank's shares from the stock market, including those intended for future deliveries, using money entrusted by the Bank in advance to establish the trust, and such acquired shares are separately managed as trust assets.

b) Residual shares remaining in the trust

The Bank recorded the shares remaining in the trust as treasury stock under net assets, at the book value in the trust (excluding incidental expenses). The book value and the number of said shares of treasury stock, as of March 31, 2017, were ¥412 million (\$3,672 thousand) and 323 thousand shares, respectively.

3. Foreign Exchanges

Foreign exchanges as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Assets:			
Due from foreign banks	¥78,646	¥25,309	\$701,015
Foreign bills bought and foreign exchanges purchased	—	19	—
Total	¥78,646	¥25,328	\$701,015
Liabilities:			
Foreign bills payable	¥ 407	¥ 338	\$ 3,630
Total	¥ 407	¥ 338	\$ 3,630

4. Other Assets

Other assets as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Domestic exchange settlement accounts—debit	¥ 15,379	¥ 15,387	\$ 137,086
Prepaid expenses	2,890	4,183	25,761
Accrued income	240,448	274,678	2,143,224
Margins for future transactions	124,102	—	1,106,183
Variation margins for future transactions	56	—	503
Derivatives other than trading	324,889	160,483	2,895,889
Cash collateral paid for financial instruments	38,062	—	339,263
Advance payments of funds necessary for delivery of deposits in bank agency services	840,000	940,000	7,487,298
Other	285,903	178,583	2,548,390
Total	¥1,871,733	¥1,573,316	\$16,683,601

5. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Buildings	¥118,035	¥115,386	\$1,052,107
Land	59,034	59,034	526,204
Construction in progress	7,717	7,638	68,792
Other	158,872	155,409	1,416,102
Subtotal	343,661	337,469	3,063,207
Accumulated depreciation	167,835	154,736	1,495,997
Total	¥175,825	¥182,733	\$1,567,210

6. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Software	¥108,140	¥106,017	\$ 963,904
Other	18,716	13,959	166,827
Subtotal	126,856	119,977	1,130,731
Accumulated depreciation	80,673	75,112	719,075
Total	¥ 46,183	¥ 44,865	\$ 411,655

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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Assets pledged as collateral:			
Securities	¥25,943,822	¥31,168,369	\$231,248,973
Liabilities corresponding to assets pledged as collateral:			
Deposits	11,150,781	18,983,827	99,391,933
Payables under repurchase agreements	960,937	554,522	8,565,269
Payables under securities lending transactions	13,694,294	13,123,558	122,063,414
Acceptances and guarantees	—	75,000	—

In addition, the settlement accounts of Bank of Japan overdrafts, exchange settlement transactions, or derivative transactions were collateralized, and margins for future transactions were substituted by securities of ¥682,251 million (\$6,081,211 thousand) and ¥4,264,448 million as of March 31, 2017 and 2016, respectively.

"Other assets" included guarantee deposits of ¥1,993 million (\$17,770 thousand) and ¥1,932 million, margins with central counterparty of ¥125,475 million (\$1,118,416 thousand) and ¥7,716 million as of March 31, 2017 and 2016, and other margins, etc. of ¥2,005 million (\$17,872 thousand) as of March 31, 2017, respectively.

9. Deposits

Deposits as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Transfer deposits	¥ 13,052,115	¥ 13,874,601	\$ 116,339,379
Ordinary deposits	52,100,533	47,465,923	464,395,524
Savings deposits	391,963	388,475	3,493,744
Time deposits	10,065,156	11,441,153	89,715,269
Special deposits*	11,133,397	18,967,503	99,236,984
TEIGAKU deposits**	92,532,491	85,550,160	824,783,769
Other deposits	159,029	184,168	1,417,501
Total	¥179,434,686	¥177,871,986	\$1,599,382,174

*“Special deposits” represent deposits received from the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative agency.
 **“TEIGAKU deposits” are a kind of 10-year-maturity time deposits unique to the Bank. The key feature is that depositors have the option to withdraw money anytime six months after the initial deposit. The interest rates on such deposits rise every six months in a staircase pattern, with duration of up to three years. After three years, the interest is compounded using fixed interest rates until the maturity of 10 years.

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

10. Other Liabilities

Other liabilities as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Domestic exchange settlement accounts—credit	¥ 22,820	¥ 21,341	\$ 203,405
Income taxes payable	30,817	45,370	274,690
Accrued expenses	1,425,895	1,526,248	12,709,651
Unearned income	57	72	514
Variation margins for future transactions	44	—	398
Derivatives other than trading	540,016	778,128	4,813,408
Cash collateral received for financial instruments	30,415	—	271,102
Asset retirement obligations	415	396	3,704
Accounts payable	101,083	131,679	901,001
Other	33,631	29,682	299,769
Total	¥2,185,197	¥2,532,920	\$19,477,647

11. Contingent Liabilities

The Bank has contractual obligations to make future payments on consignment contracts for system-related services (such as usage of hardware, software, telecommunication services, and maintenance). The details as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
One year or less	¥ 589	¥2,173	\$ 5,255
Over one year	624	139	5,570
Total	¥1,214	¥2,312	\$10,826

12. Capital Stock

Capital stock consists of common stock. Common stock as of March 31, 2017 and 2016 were as follows:

	Number of shares			
	2017		2016	
	Authorized	Issued	Authorized	Issued
Common stock	18,000,000,000	4,500,000,000	18,000,000,000	4,500,000,000

13. Other Operating Income

Other operating income for the fiscal years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Gains on foreign exchanges	¥ 99,395	¥ —	\$ 885,960
Gains on sales of bonds	11,826	12,953	105,412
Income from derivatives other than for trading or hedging	3,149	—	28,072
Total	¥114,371	¥12,953	\$1,019,446

14. Other Income

Other income for the fiscal years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Reversal of reserve for possible loan losses	¥ —	¥ 0	\$ —
Recoveries of written-off claims	34	39	308
Gains on sales of stocks and other securities	88	3,232	790
Gains on money held in trust	83,049	93,868	740,260
Other	12,758	4,656	113,723
Total	¥95,931	¥101,797	\$855,082

15. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Losses on foreign exchanges	¥ —	¥ 1,471	\$ —
Losses on sales of bonds	14,280	11,107	127,289
Expenses from derivatives other than for trading or hedging	—	497	—
Total	¥14,280	¥13,076	\$127,289

16. General and Administrative Expenses

General and administrative expenses for the fiscal years ended March 31, 2017 and 2016 included the following expenses:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	¥612,465	¥609,431	\$5,459,180

17. Other Expenses

Other expenses for the fiscal years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Provision for reserve for possible loan losses	¥ 91	¥ —	\$ 818
Losses on money held in trust	118	0	1,060
Losses on sales and disposals of fixed assets	529	1,103	4,723
Losses on impairment of fixed assets	958	5	8,545
Other	5,059	3,099	45,093
Total	¥6,758	¥4,209	\$60,242

18. Shareholders' Equity

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

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

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

Type and number of shares issued and treasury stock for the fiscal year ended March 31, 2017 were as follows:

	Thousand shares				Notes
	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year	
Shares issued Common stock	4,500,000	—	—	4,500,000	
Treasury stock Common stock	750,525	328	4	750,848	*, **, ***

* An increase of 328 thousand shares of treasury stock is due to the purchases of treasury stock by the management board benefit trust.

** A decrease of 4 thousand shares of treasury stock is due to the 4 thousand shares of benefits paid by the management board benefit trust and the sale of treasury stock in response to the request to purchase shares of less than one unit.

*** The number of shares of treasury stock at the end of the fiscal year included 323 thousand shares of treasury stock held by the management board benefit trust.

Type and number of shares issued and treasury stock for the fiscal year ended March 31, 2016 were as follows:

	Thousand shares				Notes
	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year	
Shares issued Common stock	150,000	4,350,000	—	4,500,000	*, **
Treasury stock Common stock	25,017	725,507	—	750,525	*, ***

* The Bank conducted a stock split effective on August 1, 2015, under which each share of common stock was split into 30 shares.

** An increase of 4,350,000 thousand issued shares of common stock is due to a stock split.

*** An increase of 725,507 thousand shares of treasury stock of common stock is due to a stock split.

Dividends distributed during the fiscal year ended March 31, 2017

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, 2016 at the meeting of the Board of Directors	Common stock	¥93,736	\$835,518	¥25.00	\$0.22	March 31, 2016	June 22, 2016
November 14, 2016 at the meeting of the Board of Directors	Common stock	¥93,736	\$835,518	¥25.00	\$0.22	September 30, 2016	December 6, 2016

Note: The total amount of dividends resolved by the Board of Directors' meeting held on November 14, 2016 included dividends of ¥8 million (\$72 thousand) for the Bank's shares held by the management board benefit trust.

Dividends distributed during the fiscal year ended March 31, 2016

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 11, 2015 at the meeting of the Board of Directors	Common stock	¥184,717	¥1,477.95	March 31, 2015	May 12, 2015

Dividends with the record date within the fiscal years ended March 31, 2017 and 2016 and with the effective date coming after the end of the fiscal years

Resolution	Type	2017					Record date	Effective date
		Cash dividends (Millions of yen)	Cash dividends (Thousands of U.S. dollars)	Resource of dividends	Cash dividends per share (Yen)	Cash dividends per share (U.S. dollars)		
May 15, 2017 at the meeting of the Board of Directors	Common stock	¥93,736	\$835,518	Retained earnings	¥25.00	\$0.22	March 31, 2017	June 21, 2017

Note: The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2017 included dividends of ¥8 million (\$72 thousand) for the Bank's shares held by the management board benefit trust.

Resolution	Type	2016				
		Cash dividends (Millions of yen)	Resource of dividends	Cash dividends per share (Yen)	Record date	Effective date
May 13, 2016 at the meeting of the Board of Directors	Common stock	¥93,736	Retained earnings	¥25.00	March 31, 2016	June 22, 2016

19. Cash and Cash Equivalents

The reconciliation between cash and cash equivalents in the statements of cash flows and cash and due from banks in the balance sheets as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash and due from banks	¥51,281,921	¥45,895,068	\$457,098,867
Due from banks, –negotiable certificates of deposit in other banks	(65,000)	(85,000)	(579,374)
Cash and cash equivalents	¥51,216,921	¥45,810,068	\$456,519,492

20. Leases

Operating lease transactions:

Future lease payments on non-cancelable operating leases as of March 31, 2017 and 2016 were as follows:

(Lessees)

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	¥ 405	¥ 405	\$ 3,613
Due over one year	1,267	1,641	11,298
Total	¥1,672	¥2,047	\$14,911

(Lessors)

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	¥38	¥20	\$342
Due over one year	43	40	391
Total	¥82	¥61	\$734

21. Securities

As of March 31, 2016, Japanese government bonds include ¥100,126 million of secured loaned securities for which borrowers have the right to sell or pledge (securities collateralized bond lending/borrowing transactions).

Among the securities borrowed under the contract of loan for consumption (securities borrowing transactions) and those borrowed with cash collateral under securities lending agreements, that the Bank had the right to sell or pledge without restrictions, the Bank held ¥8,882,990 million (\$79,178,097 thousand) and ¥7,936,347 million of securities neither sold nor pledged as of March 31, 2017 and 2016, respectively.

22. 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, investment trusts, and insurance products, 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 consist of Japanese government bonds, etc., and 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 consist of Japanese government bonds, etc., and foreign bonds, etc. These financial assets contain credit risk with regard to the issuer and risks associated with interest rate fluctuations, market price movements, and other factors. Financial assets also include loans and equity investments via money held in trust, but the amounts of these investments are less than those of bonds and other securities.

From the viewpoint of the Bank's ALM, the Bank utilizes interest rate swaps as hedging instruments for interest rate-related transactions to avoid the risks of changes in future economic values and interest rates (cash flows) of securities, loans, and time deposits on fluctuations of the yen interest rate. For currency-related instruments, the 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 securities 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.

The hedging instruments, the hedged items, the hedging policy, and the way to evaluate the effectiveness of hedges are included in "j. Derivatives and Hedging Activities" of Note 2. Summary of Accounting Policies.

(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, as well as credit guidelines for countries and areas, and monitors the portfolios in an appropriate manner by adhering to these limits and guidelines.

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

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

c) Market risk

As per the 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, share price and other 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 VaR method. For its market risk measurement model, the Bank uses a historical simulation method (holding period of 240 operating days (one year); confidence interval of 99%; and observation period of 1,200 operating days (five years)). For liability measurement, the Bank uses its own internal model. In addition, beginning from the fiscal year ended March 31, 2017, this method was modified to include the effect of negative interest rates in order to make measurements more indicative of actual circumstances, considering that negative yen interest rates have become normal.

As of March 31, 2017 and 2016, the Bank calculates the amounts of its market risk volume (estimated potential losses from such risk) as ¥2,413,737 million (\$21,514,725 thousand) and ¥1,790,459 million, respectively. VaR provides the major market risk exposure which is statistically calculated under certain probability based on historical market fluctuations. Thus, it may not capture fully the risk stemming from extraordinary changes in the market environment that are normally considered improbable. To complement such risks, the Bank conducts stress testing using a variety of scenarios.

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

In addition, the Bank has a distinctive asset and liability structure, with Japanese government bonds, etc. accounting for the majority of its assets and TEIGAKU deposits for a majority of its liabilities. Recognizing the importance of the impact of interest rate risk on the 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 sheets, the fair values, and the differences between the two as of March 31, 2017 and 2016 were as follows:

	Millions of yen		
	2017		
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 51,281,921	¥ 51,281,921	¥ —
(2) Call loans	470,000	470,000	—
(3) Receivables under securities borrowing transactions	8,718,905	8,718,905	—
(4) Monetary claims bought	252,214	252,214	—
(5) Trading account securities:			
Securities classified as trading purposes	9	9	—
(6) Money held in trust	3,803,267	3,803,267	—
(7) Securities:			
Held-to-maturity securities	38,316,923	39,761,722	1,444,799
Available-for-sale securities	100,349,714	100,349,714	—
(8) Loans:	4,064,120		
Reserve for possible loan losses*	(114)		
	4,064,005	4,109,451	45,445
Total assets	¥207,256,962	¥208,747,207	¥1,490,245
(1) Deposits	¥179,434,686	¥179,731,889	¥ 297,203
(2) Call money	45,436	45,436	—
(3) Payables under repurchase agreements	960,937	960,937	—
(4) Payables under securities lending transactions	13,694,294	13,694,294	—
(5) Commercial paper	40,324	40,324	—
Total liabilities	¥194,175,679	¥194,472,882	¥ 297,203
Derivative transactions**:			
For which hedge accounting is not applied	¥ 3,730	¥ 3,730	¥ —
For which hedge accounting is applied	(218,856)	(218,856)	—
Total derivative transactions	¥ (215,126)	¥ (215,126)	¥ —

	Millions of yen		
	2016		
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 45,895,068	¥ 45,895,068	¥ —
(2) Call loans	978,837	978,837	—
(3) Receivables under securities borrowing transactions	7,923,229	7,923,229	—
(4) Monetary claims bought	178,509	178,509	—
(5) Trading account securities:			
Securities classified as trading purposes	187	187	—
(6) Money held in trust	3,561,110	3,561,110	—
(7) Securities:			
Held-to-maturity securities	52,052,553	54,232,814	2,180,260
Available-for-sale securities	92,022,889	92,022,889	—
(8) Loans:	2,542,049		
Reserve for possible loan losses*	(112)		
	2,541,936	2,618,044	76,107
Total assets	¥205,154,323	¥207,410,691	¥2,256,368
(1) Deposits	¥177,871,986	¥178,326,145	¥ 454,159
(2) Call money	22,536	22,536	—
(3) Payables under repurchase agreements	554,522	554,522	—
(4) Payables under securities lending transactions	13,123,558	13,123,558	—
Total liabilities	¥191,572,602	¥192,026,762	¥ 454,159
Derivative transactions**:			
For which hedge accounting is not applied	¥ (42)	¥ (42)	¥ —
For which hedge accounting is applied	(617,602)	(617,602)	—
Total derivative transactions	¥ (617,644)	¥ (617,644)	¥ —

	Thousands of U.S. dollars		
	2017		
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	\$ 457,098,867	\$ 457,098,867	\$ —
(2) Call loans	4,189,321	4,189,321	—
(3) Receivables under securities borrowing transactions	77,715,531	77,715,531	—
(4) Monetary claims bought	2,248,099	2,248,099	—
(5) Trading account securities:			
Securities classified as trading purposes	85	85	—
(6) Money held in trust	33,900,235	33,900,235	—
(7) Securities:			
Held-to-maturity securities	341,535,998	354,414,142	12,878,144
Available-for-sale securities	894,462,203	894,462,203	—
(8) Loans:	36,225,333		
Reserve for possible loan losses*	(1,022)		
	36,224,311	36,629,391	405,080
Total assets	\$1,847,374,653	\$1,860,657,878	\$13,283,225
(1) Deposits	\$1,599,382,174	\$1,602,031,283	\$ 2,649,109
(2) Call money	405,000	405,000	—
(3) Payables under repurchase agreements	8,565,269	8,565,269	—
(4) Payables under securities lending transactions	122,063,414	122,063,414	—
(5) Commercial paper	359,427	359,427	—
Total liabilities	\$1,730,775,285	\$1,733,424,394	\$ 2,649,109
Derivative transactions**:			
For which hedge accounting is not applied	\$ 33,250	\$ 33,250	\$ —
For which hedge accounting is applied	(1,950,769)	(1,950,769)	—
Total derivative transactions	\$ (1,917,518)	\$ (1,917,518)	\$ —

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

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

The net amount is shown for net claims and obligations arising from derivative transactions, with totals that are net obligations shown in parentheses. Hedges covered by designation of foreign exchange forward contracts, etc., are treated as being an inseparable part of the foreign securities being hedged, and their fair value is therefore included in that of corresponding foreign securities.

Valuation methodology for financial instruments

Assets

(1) Cash and due from banks

The fair value of due from banks that do not have a maturity date is approximately the same as their book value, and therefore the 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, (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 a broker, etc., as the fair value.

(5) Trading account securities

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

(6) Money held in trust

For invested securities representing trust assets in money held in trust, the 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 "h. Money held in trust" of Note 23. Fair Value Information.

(7) Securities

For bonds, the Bank uses the price at the exchange market, the Reference Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, and the comparable price method, or the price provided by a broker, etc., as the fair value. The 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 23. Fair Value Information for Securities.

(8) Loans

Loans with floating interest rates reflect market interest rates within the short term. Unless a borrower's credit standing has changed significantly after the loan was originated, the fair value is approximately the same as the book value, and therefore the 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, such as loans secured by deposit, the fair value is approximately the same as the book value based on the repayment period, interest rate conditions, etc., and therefore the Bank uses the book value as the fair value.

Liabilities

(1) Deposits

For demand deposits including transfer deposits and ordinary deposits, the 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) Call money, (3) Payables under repurchase agreements, (4) Payables under securities lending transactions,

(5) Commercial paper

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.

Derivative transactions

Derivative transactions consist of interest rate-related transactions (interest rate futures, interest rate swaps), currency-related instruments (foreign exchange forward contracts, currency swaps) and bond-related transactions (bond futures), and the Bank calculates the fair value using the price at the exchange market and the discounted present value.

The amount on the balance sheet of financial instruments for which the Bank deems it extremely difficult to determine a fair value as of March 31, 2017 and 2016 were as follows. The fair value information for these financial instruments is not included in “(6) Money held in trust” and “(7) Securities” in total assets.

Type	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Money held in trust*	¥ 14,641	¥ —	\$ 130,502
Securities			
Unlisted stocks**	1,390	1,390	12,392
Investment trusts***	122,477	—	1,091,696
Investments in partnerships****	1,942	—	17,311
Total	¥140,451	¥1,390	\$1,251,903

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

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

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

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

Scheduled redemption amounts of monetary claims and securities with a maturity date subsequent to the fiscal years ended March 31, 2017 and 2016 were as follows:

	Millions of yen					
	2017					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Due from banks	¥51,120,549	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	470,000	—	—	—	—	—
Receivables under securities borrowing transactions	8,718,905	—	—	—	—	—
Monetary claims bought	22,437	59,793	45,683	10,706	25,310	87,679
Securities:	15,443,655	26,853,603	25,336,822	24,606,123	7,565,381	4,438,228
Held-to-maturity securities:	7,206,625	10,887,190	9,031,200	11,197,770	—	—
Japanese government bonds	6,211,500	9,351,100	9,031,200	10,730,100	—	—
Japanese local government bonds	44,622	—	—	—	—	—
Japanese corporate bonds	918,025	1,503,657	—	467,670	—	—
Other securities	32,478	32,433	—	—	—	—
Available-for-sale securities (with maturity date):	8,237,029	15,966,413	16,305,622	13,408,353	7,565,381	4,438,228
Japanese government bonds	3,652,816	5,847,002	7,084,521	9,395,284	3,673,622	2,403,500
Japanese local government bonds	523,610	1,779,098	1,818,440	951,809	780,867	27,412
Japanese corporate bonds	1,053,978	2,309,956	1,884,671	645,298	891,547	1,178,687
Other securities	3,006,624	6,030,355	5,517,989	2,415,960	2,219,343	828,629
Loans	2,400,568	725,958	405,261	217,684	221,988	89,861
Total	¥78,176,116	¥27,639,356	¥25,787,767	¥24,834,514	¥7,812,680	¥4,615,769

	Millions of yen					
	2016					
	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	¥45,744,305	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	978,837	—	—	—	—	—
Receivables under securities borrowing transactions	7,923,229	—	—	—	—	—
Monetary claims bought	231	59,492	58,419	13,967	4,127	40,682
Securities:	20,452,422	28,312,168	26,576,377	26,177,950	11,123,454	3,136,305
Held-to-maturity securities:	13,722,776	13,345,184	7,475,531	15,010,261	2,491,809	—
Japanese government bonds	12,568,440	11,348,000	6,941,500	14,981,100	2,053,300	—
Japanese local government bonds	296,662	44,622	—	—	—	—
Japanese corporate bonds	825,840	1,920,084	501,598	29,161	438,509	—
Other securities	31,833	32,478	32,433	—	—	—
Available-for-sale securities (with maturity date):	6,729,646	14,966,983	19,100,846	11,167,689	8,631,645	3,136,305
Japanese government bonds	3,298,483	5,753,061	8,608,120	7,337,310	5,732,365	1,779,800
Japanese local government bonds	207,833	1,274,172	2,177,768	878,892	751,957	29,510
Japanese corporate bonds	565,759	1,943,469	1,992,846	502,526	428,600	1,226,708
Other securities	2,657,571	5,996,279	6,322,111	2,448,959	1,718,723	100,286
Loans	639,309	666,103	565,443	297,496	259,503	110,902
Total	¥75,738,336	¥29,037,763	¥27,200,240	¥26,489,414	¥11,387,085	¥3,287,890

	Thousands of U.S. dollars					
	2017					
	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	\$455,660,483	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans	4,189,321	—	—	—	—	—
Receivables under securities borrowing transactions	77,715,531	—	—	—	—	—
Monetary claims bought	199,999	532,969	407,195	95,434	225,602	781,523
Securities:	137,656,256	239,358,267	225,838,513	219,325,458	67,433,650	39,559,930
Held-to-maturity securities:	64,235,901	97,042,428	80,499,153	99,810,767	—	—
Japanese government bonds	55,365,897	83,350,566	80,499,153	95,642,214	—	—
Japanese local government bonds	397,735	—	—	—	—	—
Japanese corporate bonds	8,182,777	13,402,772	—	4,168,553	—	—
Other securities	289,491	289,089	—	—	—	—
Available-for-sale securities (with maturity date):	73,420,354	142,315,839	145,339,360	119,514,691	67,433,650	39,559,930
Japanese government bonds	32,559,197	52,116,970	63,147,529	83,744,398	32,744,654	21,423,478
Japanese local government bonds	4,667,176	15,857,909	16,208,579	8,483,910	6,960,227	244,335
Japanese corporate bonds	9,394,580	20,589,685	16,798,923	5,751,839	7,946,759	10,506,172
Other securities	26,799,399	53,751,273	49,184,328	21,534,542	19,782,008	7,385,944
Loans	21,397,344	6,470,792	3,612,275	1,940,317	1,978,683	800,979
Total	\$696,818,935	\$246,362,029	\$229,857,984	\$221,361,211	\$69,637,937	\$41,142,433

Scheduled repayment amounts of interest-bearing liabilities subsequent to the fiscal years ended March 31, 2017 and 2016 were as follows:

	Millions of yen					
	2017					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	¥ 92,053,298	¥19,724,134	¥25,644,654	¥13,861,706	¥28,150,891	¥—
Call money	45,436	—	—	—	—	—
Payables under repurchase agreements	960,937	—	—	—	—	—
Payables under securities lending transactions	13,694,294	—	—	—	—	—
Commercial paper	40,388	—	—	—	—	—
Total	¥106,794,356	¥19,724,134	¥25,644,654	¥13,861,706	¥28,150,891	¥—

	Millions of yen					
	2016					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	¥81,802,034	¥30,948,556	¥20,184,082	¥18,310,254	¥26,627,057	¥—
Call money	22,536	—	—	—	—	—
Payables under repurchase agreements	554,522	—	—	—	—	—
Payables under securities lending transactions	13,123,558	—	—	—	—	—
Total	¥95,502,651	¥30,948,556	¥20,184,082	¥18,310,254	¥26,627,057	¥—

	Thousands of U.S. dollars					
	2017					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	\$820,512,513	\$175,810,095	\$228,582,355	\$123,555,632	\$250,921,576	\$—
Call money	405,000	—	—	—	—	—
Payables under repurchase agreements	8,565,269	—	—	—	—	—
Payables under securities lending transactions	122,063,414	—	—	—	—	—
Commercial paper	360,000	—	—	—	—	—
Total	\$951,906,197	\$175,810,095	\$228,582,355	\$123,555,632	\$250,921,576	\$—

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

23. Fair Value Information

The fair value information of securities was as follows.

Securities discussed here include trading account securities, negotiable certificates of deposit recorded under cash and due from banks, monetary claims bought, as well as Japanese government bonds, Japanese local government bonds, Japanese corporate bonds, and other securities listed on the balance sheets.

a. Trading account securities

There were no unrealized gains or losses from trading account securities included in the profit and loss recorded in the statements of income for the fiscal years ended March 31, 2017 and 2016.

b. Held-to-maturity securities

		Millions of yen		
		2017		
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	¥35,317,430	¥36,691,257	¥1,373,826
	Japanese local government bonds	44,618	44,733	115
	Japanese corporate bonds	2,889,963	2,960,589	70,626
	Others:	64,911	76,892	11,981
	Foreign bonds	64,911	76,892	11,981
Total		38,316,923	39,773,472	1,456,549
Those for which the fair value does not exceed the amount on the balance sheet	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	—	—	—
	Others:	—	—	—
	Foreign bonds	—	—	—
Total		—	—	—
Total		¥38,316,923	¥39,773,472	¥1,456,549

		Millions of yen		
		2016		
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	¥47,897,398	¥49,960,430	¥2,063,032
	Japanese local government bonds	341,147	345,102	3,954
	Japanese corporate bonds	3,714,191	3,824,895	110,703
	Others:	96,744	127,414	30,670
	Foreign bonds	96,744	127,414	30,670
Total		52,049,482	54,257,843	2,208,360
Those for which the fair value does not exceed the amount on the balance sheet	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	3,071	3,070	(1)
	Others:	—	—	—
	Foreign bonds	—	—	—
Total		3,071	3,070	(1)
Total		¥52,052,553	¥54,260,913	¥2,208,359

		Thousands of U.S. dollars		
		2017		
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	\$314,800,165	\$327,045,700	\$12,245,534
	Japanese local government bonds	397,705	398,732	1,027
	Japanese corporate bonds	25,759,546	26,389,067	629,521
	Others:	578,580	685,374	106,793
	Foreign bonds	578,580	685,374	106,793
Total		341,535,998	354,518,875	12,982,877
Those for which the fair value does not exceed the amount on the balance sheet	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	—	—	—
	Others:	—	—	—
	Foreign bonds	—	—	—
Total		—	—	—
Total		\$341,535,998	\$354,518,875	\$12,982,877

c. Investments in subsidiaries and affiliates

As of March 31, 2017 and 2016, there were no investments in subsidiaries.

The securities of affiliates (¥1,385 million (\$12,345 thousand) as of March 31, 2017 and ¥1,385 million as of March 31, 2016) were all unlisted, and did not have a market price. Since it was extremely difficult to determine a fair value of the securities, the fair value and the differences were not disclosed.

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

		Millions of yen		
		2017		
	Type	Amount on the balance sheet	Acquisition cost	Difference (Note 1)
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	¥ 43,897,296	¥42,351,852	¥1,545,444
	Japanese government bonds	32,379,992	31,044,284	1,335,708
	Japanese local government bonds	5,342,533	5,247,901	94,632
	Japanese corporate bonds	6,174,770	6,059,666	115,103
	Others:	43,917,055	41,830,116	2,086,938
	Foreign bonds	13,266,884	11,621,764	1,645,119
	Investment trusts (Note 2)	30,589,848	30,148,925	440,922
	Total	87,814,351	84,181,969	3,632,382
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	3,724,735	3,751,657	(26,921)
	Japanese government bonds	1,107,565	1,122,495	(14,929)
	Japanese local government bonds	695,073	698,799	(3,726)
	Japanese corporate bonds	1,922,096	1,930,362	(8,266)
	Others:	9,127,842	9,451,132	(323,290)
	Foreign bonds	6,811,672	7,121,635	(309,962)
	Investment trusts (Note 2)	2,014,396	2,020,269	(5,872)
	Total	12,852,577	13,202,790	(350,212)
Total		¥100,666,928	¥97,384,759	¥3,282,169

		Millions of yen		
		2016		
	Type	Amount on the balance sheet	Acquisition cost	Difference (Note 1)
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	¥46,170,593	¥44,130,814	¥2,039,779
	Japanese government bonds	34,347,751	32,602,907	1,744,843
	Japanese local government bonds	5,310,013	5,183,963	126,049
	Japanese corporate bonds	6,512,828	6,343,942	168,886
	Others:	24,013,886	21,735,717	2,278,168
	Foreign bonds	15,212,996	13,060,269	2,152,726
	Investment trusts (Note 2)	8,717,363	8,593,353	124,009
	Total	70,184,479	65,866,532	4,317,947
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	553,471	555,415	(1,944)
	Japanese government bonds	10,504	10,594	(90)
	Japanese local government bonds	205,348	205,654	(305)
	Japanese corporate bonds	337,618	339,167	(1,548)
	Others:	21,548,447	21,991,967	(443,519)
	Foreign bonds	4,519,763	4,704,621	(184,858)
	Investment trusts (Note 2)	16,803,603	17,055,683	(252,080)
	Total	22,101,919	22,547,383	(445,464)
Total		¥92,286,398	¥88,413,915	¥3,872,483

		Thousands of U.S. dollars		
		2017		
	Type	Amount on the balance sheet	Acquisition cost	Difference (Note 1)
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	\$391,276,376	\$377,501,135	\$13,775,240
	Japanese government bonds	288,617,459	276,711,689	11,905,769
	Japanese local government bonds	47,620,409	46,776,906	843,502
	Japanese corporate bonds	55,038,506	54,012,539	1,025,967
	Others:	391,452,491	372,850,670	18,601,820
	Foreign bonds	118,253,715	103,590,019	14,663,695
	Investment trusts (Note 2)	272,661,096	268,730,954	3,930,141
	Total	782,728,867	750,351,806	32,377,061
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	33,200,242	33,440,209	(239,966)
	Japanese government bonds	9,872,233	10,005,306	(133,073)
	Japanese local government bonds	6,195,500	6,228,712	(33,212)
	Japanese corporate bonds	17,132,508	17,206,189	(73,680)
	Others:	81,360,566	84,242,204	(2,881,637)
	Foreign bonds	60,715,506	63,478,341	(2,762,835)
	Investment trusts (Note 2)	17,955,227	18,007,571	(52,344)
	Total	114,560,809	117,682,413	(3,121,604)
	Total	\$897,289,677	\$868,034,220	\$29,255,456

Notes: 1. Of the difference shown above, ¥185,342 million (\$1,652,040 thousand) losses and ¥35,341 million losses were included in the statements of income for the fiscal years ended March 31, 2017 and 2016, respectively, because of the application of fair value hedge accounting.

2. Investment trusts are mainly invested in foreign bonds.

3. Available-for-sale securities that are deemed to be extremely difficult to determine a fair value as of March 31, 2017 and 2016 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
	Amount on the balance sheet	Amount on the balance sheet	Amount on the balance sheet
Investments in stocks	¥ 5	¥5	\$ 47
Investment trusts	122,477	—	1,091,696
Investments in partnerships	1,942	—	17,311
Total	¥124,425	¥5	\$1,109,056

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

e. Held-to-maturity securities sold during the fiscal year

There were no held-to-maturity securities sold during the fiscal years ended March 31, 2017 and 2016.

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

Available-for-sale securities sold during the fiscal years ended March 31, 2017 and 2016 consisted of the following:

	Type	Millions of yen		
		2017		
		Sales proceeds	Total realized gains	Total realized losses
Bonds:		¥ 232,597	¥ 1,134	¥ (1,764)
Japanese government bonds		216,688	1,134	—
Japanese corporate bonds		15,908	—	(1,764)
Others:		1,177,891	10,780	(12,516)
Foreign bonds		1,176,118	10,692	(12,516)
Investment trusts		1,773	88	—
Total		¥1,410,489	¥11,914	¥(14,280)

Type	Millions of yen		
	2016		
	Sales proceeds	Total realized gains	Total realized losses
Bonds:	¥8,750,645	¥ 6,357	¥ (681)
Japanese government bonds	8,749,632	6,357	(594)
Japanese corporate bonds	1,013	—	(86)
Others:	1,052,715	9,828	(10,426)
Foreign bonds	902,605	6,596	(10,426)
Investment trusts	150,109	3,232	—
Total	¥9,803,360	¥16,185	¥(11,107)

Type	Thousands of U.S. dollars		
	2017		
	Sales proceeds	Total realized gains	Total realized losses
Bonds:	\$ 2,073,242	\$ 10,108	\$ (15,726)
Japanese government bonds	1,931,441	10,108	—
Japanese corporate bonds	141,801	—	(15,726)
Others:	10,499,081	96,095	(111,562)
Foreign bonds	10,483,277	95,304	(111,562)
Investment trusts	15,804	790	—
Total	\$12,572,323	\$106,203	\$(127,289)

g. Securities for which accounting for impairment was applied

For the securities (excluding trading securities) with market quotations, whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Bank reduces its book value of securities to fair value on the balance sheet and charges valuation differences to income (hereafter "impairment losses") in the fiscal year in which they are recognized. No impairment losses were recognized for the fiscal years ended March 31, 2017 and 2016.

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

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

h. Money held in trust

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

The Bank did not hold money held in trust for the purpose of trading or held-to-maturity as of March 31, 2017 and 2016.

Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2017 and 2016 were as follows:

	Millions of yen				
	2017				
	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	¥3,803,267	¥2,704,605	¥1,098,661	¥1,102,370	¥(3,708)

	Millions of yen				
	2016				
	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	¥3,561,110	¥2,677,221	¥883,889	¥897,609	¥(13,720)

	Thousands of U.S. dollars				
	2017				
	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	\$33,900,235	\$24,107,368	\$9,792,866	\$9,825,924	\$(33,058)

Notes: 1. The amount on the balance sheet is 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. Money held in trust classified as available-for-sale that is deemed to be extremely difficult to determine a fair value was as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
	Amount on the balance sheet	Amount on the balance sheet	Amount on the balance sheet
Money held in trust classified as:			
Available-for-sale	¥14,641	¥—	\$130,502

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

i. Money held in trust for which accounting for impairment was applied

For money held in trust (excluding money held in trust for the purpose of trading) that are under management as trust assets, whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Bank reduces its book value of securities to fair value on the balance sheet and charges valuation differences to income (hereafter "impairment losses") in the fiscal year in which they are recognized. Impairment losses for the fiscal years ended March 31, 2017 and 2016 amounted to ¥3,734 million (\$33,285 thousand) and ¥1,588 million, respectively.

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

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

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

Unrealized gains (losses) on available-for-sale securities as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Valuation differences:	¥ 4,566,173	¥ 4,791,713	\$ 40,700,364
Available-for-sale securities	3,467,512	3,907,824	30,907,497
Available-for-sale money held in trust	1,098,661	883,889	9,792,866
Deferred tax assets (liabilities)	(1,399,193)	(1,468,886)	(12,471,638)
Unrealized gains (losses) on available-for-sale securities	¥ 3,166,980	¥ 3,322,827	\$ 28,228,725

Note: Of the difference shown above, ¥185,342 million (\$1,652,040 thousand) losses and ¥35,341 million losses were included in the statements of income for the fiscal years ended March 31, 2017 and 2016, respectively, because of the application of fair value hedge accounting.

24. Derivatives

a. Derivatives for which hedge accounting is not applied as of March 31, 2017 and 2016

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

(1) Interest rate-related derivatives

		Millions of yen			
		2017			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Interest rate futures—sold	¥561,510	¥561,510	¥ 33	¥ 33
	Interest rate futures—bought	561,510	—	(80)	(80)
OTC	Interest rate swap instruments: Pay floating swaps, receive fixed swaps	22,438	22,438	(1,787)	(1,787)
	Interest rate swap instruments: Pay fixed swaps, receive floating swaps	9,199	9,199	1,621	1,621
Total		—	—	¥ (212)	¥ (212)

		Thousands of U.S. dollars			
		2017			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Interest rate futures—sold	\$5,005,000	\$5,005,000	\$ 300	\$ 300
	Interest rate futures—bought	5,005,000	—	(713)	(713)
OTC	Interest rate swap instruments: Pay floating swaps, receive fixed swaps	200,000	200,000	(15,936)	(15,936)
	Interest rate swap instruments: Pay fixed swaps, receive floating swaps	82,000	82,000	14,456	14,456
Total		—	—	\$ (1,892)	\$ (1,892)

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

2. The fair value of listed transaction is determined using the closing price of Chicago Mercantile Exchange.
The fair value of OTC transaction is determined using the discounted cash flows.

There was no interest rate-related derivatives as of March 31, 2016.

(2) Currency-related derivatives

		Millions of yen			
		2017			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Foreign exchange forward contracts—sold	¥626,128	¥—	¥ 6,994	¥ 6,994
	Foreign exchange forward contracts—bought	631,377	—	(3,086)	(3,086)
Total		—	—	¥ 3,908	¥ 3,908

		Millions of yen			
		2016			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Foreign exchange forward contracts—bought	¥120,520	¥—	¥(42)	¥(42)
Total		—	—	¥(42)	¥(42)

		Thousands of U.S. dollars			
		2017			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Foreign exchange forward contracts—sold	\$5,580,965	\$—	\$ 62,346	\$ 62,346
	Foreign exchange forward contracts—bought	5,627,753	—	(27,510)	(27,510)
Total		—	—	\$ 34,835	\$ 34,835

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

(3) Equity-related derivatives: None as of March 31, 2017 and 2016

(4) Bond-related derivatives

		Millions of yen			
		2017			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Bond futures—sold	¥16,262	¥—	¥ 50	¥ 50
	Bond futures—bought	5,989	—	(16)	(16)
Total		—	—	¥ 34	¥ 34

		Thousands of U.S. dollars			
		2017			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Bond futures—sold	\$144,951	\$—	\$ 451	\$ 451
	Bond futures—bought	53,387	—	(144)	(144)
Total		—	—	\$ 307	\$ 307

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

There was no bond-related derivatives as of March 31, 2016.

(5) Commodity-related derivatives: None as of March 31, 2017 and 2016

(6) Credit derivatives: None as of March 31, 2017 and 2016

b. Derivatives for which hedge accounting is applied as of March 31, 2017 and 2016

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

(1) Interest rate-related derivatives

			Millions of yen		
			2017		
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap instruments: Pay fixed swaps, receive floating swaps	Available-for-sale securities: (Japanese government bonds and foreign securities)	¥4,498,510	¥4,498,510	¥(250,438)
Total			—	—	¥(250,438)

Hedge accounting method	Type	Primary hedged instrument	Millions of yen		
			2016		
			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 and foreign securities)	¥3,987,422	¥3,987,422	¥(417,964)
Total			—	—	¥(417,964)

Hedge accounting method	Type	Primary hedged instrument	Thousands of U.S. dollars		
			2017		
			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 and foreign securities)	\$40,097,253	\$40,097,253	\$(2,232,269)
Total			—	—	\$(2,232,269)

Notes: 1. The deferred hedge accounting method is applied as the hedge accounting method for interest rate risks arising from financial assets and liabilities.
2. The fair value is determined using the discounted cash flows.

(2) Currency-related derivatives

Hedge accounting method	Type	Primary hedged instrument	Millions of yen		
			2017		
			Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Currency swap	Available-for-sale securities: (Foreign securities)	¥2,971,988	¥2,428,067	¥(10,383)
	Foreign exchange forward contracts—sold		70,766	13,123	(22,507)
	Foreign exchange forward contracts—bought		12,036	—	176
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	4,519,068	—	64,296
Accounting method translating foreign currency receivables at forward rates	Currency swap	Held-to maturity securities: (Foreign securities)	59,220	32,433	(Note 3)
	Foreign exchange forward contracts—sold		5,863	—	
Total			—	—	¥ 31,581

Hedge accounting method	Type	Primary hedged instrument	Millions of yen		
			2016		
			Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Currency swap	Available-for-sale securities: (Foreign securities)	¥3,651,466	¥2,989,550	¥(200,332)
	Foreign exchange forward contracts—sold		80,937	58,775	(28,004)
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	2,686,330	—	28,699
Accounting method translating foreign currency receivables at forward rates	Currency swap	Held-to maturity securities: (Foreign securities)	59,220	59,220	(Note 3)
	Foreign exchange forward contracts—sold		39,121	5,863	
Total			—	—	¥(199,637)

			Thousands of U.S. dollars		
			2017		
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Currency swap	Available-for-sale securities: (Foreign securities)	\$26,490,669	\$21,642,459	\$ (92,556)
	Foreign exchange forward contracts—sold		630,775	116,979	(200,619)
	Foreign exchange forward contracts—bought		107,290	—	1,573
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	40,280,489	—	573,103
Accounting method translating foreign currency receivables at forward rates	Currency swap	Held-to maturity securities: (Foreign securities)	527,858	289,089	(Note 3)
	Foreign exchange forward contracts—sold		52,263	—	
Total			—	—	\$ 281,500

Notes: 1. The deferred hedge accounting method is primarily used to hedge the risk from market exchange rate fluctuations for foreign currency-denominated securities.
 2. The fair value is determined using the discounted cash flows.
 3. Derivatives under the accounting method translating foreign currency receivables at forward rates are treated as being an inseparable part of the securities being hedged, and their fair value is therefore included in that of the corresponding securities under Note 22. Financial Instruments.

(3) Equity-related derivatives: None as of March 31, 2017 and 2016

(4) Bond-related derivatives: None as of March 31, 2017 and 2016

25. Loans

There were no loans to bankrupt borrowers, non-accrual delinquent loans, past-due loans for three months or more, and restructured loans as of March 31, 2017 and 2016.

Loans to bankrupt borrowers refer to loans for which accrued interest is not recognized upon determination that collection or repayment of principal or interest is unlikely due to a delay in payment of principal or interest over a considerable period or for some other reasons (excluding the portion written down, hereinafter “non-accrual loans”) which satisfy the conditions stipulated in Article 96, Paragraph 1, Item 3, (a) through (e) of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No.97 of 1965) or Item 4 of the same Paragraph.

Non-accrual delinquent loans refer to non-accrual loans other than the loans to bankrupt borrowers and the loans for which interest payments are deferred with the objective of restructuring businesses of the borrowers or supporting them.

Past-due loans for three months or more refer to loans with principal or interest unpaid for three months or more after the day following the due date, excluding loans to bankrupt borrowers and non-accrual delinquent loans.

Restructured loans refer to loans of which terms and conditions have been amended in favor of the borrowers, such as by a reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness, with the objective of restructuring businesses of the borrowers or supporting them, excluding the loans to bankrupt borrowers, non-accrual delinquent loans and past-due loans for three months or more.

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, unless any terms or conditions stipulated in the relevant loan agreement are violated.

The unused commitment balance relating to these loan agreements amounted to ¥19,548 million (\$174,245 thousand) as of March 31, 2017, and there was no unused commitment balance as of March 31, 2016. Of this amount, there were no loans in which the term of the agreement was less than one year, or the unconditional cancellation of the agreement was allowed at any time as of March 31, 2017.

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

26. Reserve for Retirement Benefits

An outline of employees' retirement benefits as of March 31, 2017 and 2016 was as follows:

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

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

In addition, started from October 1, 2015, the new retirement pension plan has been applied to the Bank. The plan is based on the "Act for Partial Amendment of the Act on National Public Officers' Retirement Allowance, etc., for the Purpose of Review over the Levels of the Retirement Benefits for National Public Officers (Act No. 96 of 2012)," which was introduced as a new pension system to replace the discontinued occupational portion (third-tier portion) of the mutual pension.

b. Defined-benefit plan

(1) Reconciliations of the projected benefit obligation at the beginning and the end of the fiscal years

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Projected benefit obligation at the beginning of the fiscal year	¥134,970	¥132,898	\$1,203,051
Service cost	7,322	7,443	65,271
Interest cost on projected benefit obligation	945	931	8,424
Net actuarial (gains) losses arising during the fiscal year	(694)	632	(6,193)
Retirement benefits paid	(7,052)	(6,960)	(62,858)
Others	(11)	26	(100)
Projected benefit obligation at the end of the fiscal year	¥135,480	¥134,970	\$1,207,595

(2) Reconciliations of the projected benefit obligation at the end of the fiscal years and the reserve for employees' retirement benefits recorded on the balance sheet

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unfunded projected benefit obligation	¥135,480	¥134,970	\$1,207,595
Unrecognized net actuarial losses	4,127	4,395	36,793
Unrecognized prior service cost	9,192	10,354	81,940
Net amount recorded on the balance sheet	¥148,800	¥149,720	\$1,326,329
Reserve for employees' retirement benefits	¥148,800	¥149,720	\$1,326,329
Net amount recorded on the balance sheet	148,800	149,720	1,326,329

(3) Total retirement benefit costs and components

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost	¥ 7,322	¥ 7,443	\$ 65,271
Interest cost on projected benefit obligation	945	931	8,424
Amortization of net actuarial losses	(962)	(1,025)	(8,578)
Amortization of prior service cost	(1,161)	(1,161)	(10,350)
Others	139	157	1,239
Total retirement benefit costs related to the defined-benefit plan	¥ 6,283	¥ 6,345	\$ 56,006

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

	2017	2016
Discount rate	0.7%	0.7%

27. Deferred Tax Assets/Liabilities

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

a. The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Reserve for possible loan losses	¥ 87	¥ 131	\$ 780
Reserve for employees' retirement benefits	45,586	45,887	406,334
Depreciation	8,463	9,720	75,443
Accrued interest on deposits	427	574	3,812
Unrealized losses of money held in trust	2,642	1,698	23,551
Net deferred losses on hedges	51,461	185,373	458,700
Accrued enterprise taxes	3,101	3,786	27,645
Other	22,998	21,134	205,000
Total deferred tax assets	134,770	268,307	1,201,269
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(1,399,193)	(1,468,886)	(12,471,638)
Other	(6,127)	(10,707)	(54,619)
Total deferred tax liabilities	(1,405,320)	(1,479,594)	(12,526,258)
Net deferred tax assets (liabilities)	¥(1,270,550)	¥(1,211,286)	\$(11,324,989)

b. The reconciliation of the effective statutory tax rate of the Bank to the effective income tax rate for the fiscal years ended March 31, 2017 and 2016 was as follows:

	2017	2016
Effective statutory tax rate	30.85%	33.06%
Adjustments for:		
Permanent differences (e.g., Entertainment expenses)	0.01	0.00
Permanent differences (e.g., Cash dividends received)	(0.58)	(0.56)
Per capita inhabitants' taxes, etc.	0.06	0.05
Adjustment to reduce the amount of deferred tax assets at the end of period due to changes in tax rates	—	0.77
Income tax credit	(1.44)	(1.31)
Other	0.22	0.37
Effective income tax rate	29.12	32.40

Adjustment of deferred tax assets and deferred tax liabilities following the change in the corporate income tax rate, etc.

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016), and the "Act on Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted by Japanese Diet on March 29, 2016, and accordingly, the corporate income tax rate, etc. has been reduced from fiscal years beginning on or after April 1, 2016. As a result, the effective statutory tax rate used by the Bank to calculate deferred tax assets and deferred tax liabilities has been revised from 32.26% to 30.86% for the temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2016 and April 1, 2017, and to 30.62% for the temporary differences expected to be eliminated in the fiscal years beginning on or after April 1, 2018. In response to this change in the tax rates, deferred tax liabilities decreased by ¥63,350 million, net unrealized gains on available-for-sale securities increased by ¥76,963 million and deferred income taxes increased by ¥3,709 million as of March 31, 2016.

28. Profit or Loss from Equity Method, etc.

The details for the fiscal years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Investments in affiliates	¥1,385	¥1,385	\$12,345
Investments, if equity method was adopted	1,485	1,472	13,244
Investment gains (losses), if equity method was adopted	13	(9)	123

29. Segment Information

Segment Information

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

Related Information

a. Information about services

Information about services is omitted since income from securities investment accounted for more than 90% of the total income in the statements of income for the fiscal years ended March 31, 2017 and 2016.

b. Information about geographical areas

(1) Income

Information about income by geographical area is omitted as income from external customers in Japan accounted for more than 90% of the total income in the statements of income for the fiscal years ended March 31, 2017 and 2016.

(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 sheets as of March 31, 2017 and 2016.

c. Information about major customers

Information about major customers is omitted as there was no single external customer that accounted for 10% or more of the total income in the statements of income for the fiscal years ended March 31, 2017 and 2016.

Information about losses on impairment of fixed assets by reported segments

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

Information about amortization of goodwill and unamortized balance by reported segments

None

Information about recognized gain on negative goodwill by reported segments

None

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

Transactions between the Bank and related parties for the fiscal years ended March 31, 2017 and 2016 were as follows:

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

For the fiscal year ended March 31, 2017

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

Ownership of voting rights held	89.00% of the Bank's shares (Direct)	
Capital	¥3,500,000 million (\$31,197,076 thousand)	
Nature of transactions	Management of JAPAN POST GROUP Concurrent holding of positions by executive management directors	
Details of transactions	Payment of grants*	Payment of brand royalty fees**
Transaction amount	¥8,371 million (\$74,621 thousand)	¥4,091 million (\$36,464 thousand)
Account	—	Other liabilities
Outstanding balance at the end of the fiscal year	—	¥368 million (\$3,281 thousand)

Transaction conditions and policies on determining transaction conditions, etc.

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

**The Bank belongs to JAPAN POST GROUP and receives benefits from the brand value of JAPAN POST GROUP that reflects the Bank's performance, and pays brand royalty fees calculated at a certain rate of the average deposit balance for the previous fiscal year, which is considered as the representative performance metric.

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

For the fiscal year ended March 31, 2016

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

Ownership of voting rights held	89.00% of the Bank's shares (Direct)	
Capital	¥3,500,000 million	
Nature of transactions	Management of JAPAN POST GROUP Concurrent holding of positions by executive management directors	
Details of transactions	Payment of grants*	Payment of brand royalty fees**
Transaction amount	¥9,862 million	¥4,088 million
Account	—	Other liabilities
Outstanding balance at the end of the fiscal year	—	¥367 million

Transaction conditions and policies on determining transaction conditions, etc.

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

**The Bank belongs to JAPAN POST GROUP and receives benefits from the brand value of JAPAN POST GROUP that reflects the Bank's performance, and pays brand royalty fees calculated at a certain rate of the average deposit balance for the previous fiscal year, which is considered as the representative performance metric.

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

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

None for the fiscal years ended March 31, 2017 and 2016

(3) Transactions between the Bank and companies with the same parent or subsidiaries of the Bank's affiliates:

For the fiscal year ended March 31, 2017

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

Ownership of voting rights held	Nil				
Capital	¥400,000 million (\$3,565,380 thousand)				
Nature of transactions	Concurrent holding of positions by executive management directors, Commissions on bank agency services, etc., Bank counter services agreement and Consignment contracts for logistics operations				
Details of transactions	Payment of commissions on bank agency services, etc.*	Receipt and payment of funds related to bank agency services	—***	Payment of consignment fees for logistics operations****	
Transaction amount	¥612,465 million (\$5,459,180 thousand)	¥888,493 million (\$7,919,539 thousand)	—***	¥3,008 million (\$26,820 thousand)	
Account	Other liabilities	Other assets**	Other liabilities***	Other liabilities	Accrued expenses
Outstanding balance at the end of the fiscal year	¥54,857 million (\$488,966 thousand)	¥840,000 million (\$7,487,298 thousand)	¥9,723 million (\$86,666 thousand)	¥335 million (\$2,992 thousand)	¥83 million (\$746 thousand)

Transaction conditions and policies on determining transaction conditions, etc.

*The figures are determined based on costs, etc., incurred in connection with commissions on bank agency services, etc.

**The figures represent advance payments of funds necessary for delivery of deposits in bank agency services. The transaction amounts are presented on an average balance basis for the fiscal year ended March 31, 2017.

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

****Payment is made for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on arm's length principle.

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

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

Ownership of voting rights held	Nil
Capital	¥3,150 million (\$28,077 thousand)
Nature of transactions	Concurrent holding of positions by executive management directors Payment of IT system (PNET) service charge
Details of transactions	Payment of IT system (PNET) service charge*
Transaction amount	¥13,947 million (\$124,323 thousand)
Account	Accrued expenses
Outstanding balance at the end of the fiscal year	¥1,258 million (\$11,221 thousand)

Transaction conditions and policies on determining transaction conditions, etc.

*Payment is made for data processing services using JAPAN POST GROUP internal networks at rates determined based on arm's length principle.

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

For the fiscal year ended March 31, 2016

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

Ownership of voting rights held	Nil				
Capital	¥400,000 million				
Nature of transactions	Concurrent holding of positions by executive management directors, Commissions on bank agency services, etc., Bank counter services agreement and Consignment contracts for logistics operations				
Details of transactions	Payment of commissions on bank agency services, etc.*	Receipt and payment of funds related to bank agency services	—***	Payment of consignment fees for logistics operations****	
Transaction amount	¥609,431 million	¥978,196 million	—***	¥3,036 million	
Account	Other liabilities	Other assets**	Other liabilities***	Other liabilities	Accrued expenses
Outstanding balance at the end of the fiscal year	¥54,736 million	¥940,000 million	¥3,917 million	¥287 million	¥40 million

Transaction conditions and policies on determining transaction conditions, etc.

*The figures are determined based on costs, etc., incurred in connection with commissions on bank agency services, etc.

**The figures represent advance payments of funds necessary for delivery of deposits in bank agency services. The transaction amounts are presented on an average balance basis for the fiscal year ended March 31, 2016.

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

****Payment is made for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on arm's length principle.

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

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

Ownership of voting rights held	Nil
Capital	¥3,150 million
Nature of transactions	Concurrent holding of positions by executive management directors Payment of IT system (PNET) service charge
Details of transactions	Payment of IT system (PNET) service charge*
Transaction amount	¥14,018 million
Account	Accrued expenses
Outstanding balance at the end of the fiscal year	¥1,303 million

Transaction conditions and policies on determining transaction conditions, etc.

*Payment is made for data processing services using JAPAN POST GROUP internal networks at rates determined based on arm's length principle.

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

- (4) Transactions between the Bank and directors and/or executive officers, or major individual shareholders:
None for the fiscal years ended March 31, 2017 and 2016

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

(1) Information on the parent company

JAPAN POST HOLDINGS Co., Ltd. (Listed on Tokyo Stock Exchange)

(2) Information on significant affiliates

None

31. Per Share Data

Net assets per share as of March 31, 2017 and 2016 and net income per share for the fiscal years then ended were as follows:

	Yen		U.S. dollars
	2017	2016	2017
Net assets per share	¥3,142.05	¥3,069.26	\$28.00
Net income per share	83.28	86.69	0.74

Notes: 1. Diluted net income per share is not presented since there has been no potential dilution for the fiscal years ended March 31, 2017 and 2016.

2. The Bank conducted a stock split effective on August 1, 2015, under which each share of common stock was split into 30 shares. However, the Bank's calculation of the net assets per share and net income per share are based on the assumption that the stock split was effective at the beginning of the previous fiscal year.

3. Net assets per share as of March 31, 2017 and 2016 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net assets	¥11,780,037	¥11,508,150	\$105,000,783
Net assets attributable to common stock at the end of the fiscal year	11,780,037	11,508,150	105,000,783
Number of common stock at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	3,749,151	3,749,475	

4. Net income per share data for the fiscal years ended March 31, 2017 and 2016 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net income	¥312,264	¥325,069	\$2,783,351
Net income attributable to common stock	312,264	325,069	2,783,351
Average number of common stock outstanding during the fiscal year (thousand shares)	3,749,190	3,749,475	

5. To calculate net assets per share, the treasury stock deducted from the number of common stock outstanding as of March 31, 2017 included 323 thousand shares of treasury stock held by the management board benefit trust. To calculate net income per share, the treasury stock deducted to calculate the average number of outstanding shares for the fiscal year ended March 31, 2017 included 284 thousand shares of treasury stock held by the management board benefit trust.

32. Significant Subsequent Event

None



Independent Auditor's Report

To the Board of Directors of JAPAN POST BANK Co., Ltd.:

We have audited the accompanying non-consolidated financial statements of JAPAN POST BANK Co., Ltd., which comprise the non-consolidated balance sheets as at March 31, 2017 and 2016, and the non-consolidated statements of income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of JAPAN POST BANK Co., Ltd. as at March 31, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2017 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 non-consolidated financial statements.

KPMG AZSA LLC

June 22, 2017
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Financial Data

KEY FINANCIAL INDICATORS

Key Financial Indicators

Fiscal years ended March 31

	Millions of yen	
	2017	2016
Ordinary income	¥ 1,897,281	¥ 1,968,987
Operating profit (before provision for general reserve for possible loan losses)	354,087	385,897
Net operating profit	354,098	385,897
Net ordinary income	442,085	481,998
Net income	312,264	325,069
Capital stock	3,500,000	3,500,000
Shares outstanding (thousand shares)	4,500,000	4,500,000
Net assets	11,780,037	11,508,150
Total assets	209,568,820	207,056,039
Deposits	179,434,686	177,871,986
Loans	4,064,120	2,542,049
Securities	138,792,448	144,076,834
Capital adequacy ratio (non-consolidated, domestic standard)	22.22%	26.38%
Dividend payout ratio	60.03%	28.83%
Employees	12,965	12,905

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

2. For the fiscal year ended March 31, 2016, the dividend payout ratio was calculated by dividing the total dividend payment by net income. For the fiscal year ended March 31, 2017, the dividend payout ratio was calculated by dividing the dividends per share of common stock by net income per share.

3. The number of employees excludes employees assigned to other companies by the Bank but includes employees assigned to the Bank by other companies. The figures do not include part-time employees.

EARNINGS

Income Analysis

Fiscal years ended March 31

	Millions of yen	
	2017	2016
Gross operating profit:	¥ 1,410,256	¥ 1,452,082
(Excluding gains (losses) on bonds)	1,412,710	1,450,236
Domestic gross operating profit:	890,609	1,066,169
(Excluding gains (losses) on bonds)	891,240	1,060,492
Net interest income	804,038	970,588
Net fees and commissions	85,883	90,401
Net trading income	—	—
Net other operating income (loss)	688	5,178
(Gains (losses) on bonds)	(630)	5,676
Overseas gross operating profit:	519,646	385,913
(Excluding gains (losses) on bonds)	521,470	389,743
Net interest income	419,508	390,477
Net fees and commissions	736	737
Net trading income	—	—
Net other operating income (loss)	99,402	(5,301)
(Gains (losses) on bonds)	(1,823)	(3,830)
General and administrative expenses:	(1,056,168)	(1,066,184)
Personnel expenses	(125,328)	(125,423)
Non-personnel expenses	(854,369)	(865,169)
Taxes and dues	(76,470)	(75,591)
Operating profit (before provision for general reserve for possible loan losses)	354,087	385,897
(Excluding gains (losses) on bonds)	356,542	384,051
Provision for general reserve for possible loan losses	10	—
Net operating profit:	354,098	385,897
Gains (losses) on bonds	(2,454)	1,846
Non-recurring gains (losses):	87,987	96,100
Gains (losses) related to stocks	88	3,232
Gains (losses) on money held in trust	82,930	93,867
Other non-recurring gains (losses)	4,967	(999)
Net ordinary income	442,085	481,998
Extraordinary income (loss):	(1,488)	(1,109)
Gains (losses) on sales and disposals of fixed assets	(529)	(1,103)
Losses on impairment of fixed assets	(958)	(5)
Income before income taxes	440,596	480,888
Income taxes—current	(133,287)	(152,528)
Income taxes—deferred	4,954	(3,291)
Net income	312,264	325,069
Credit-related expenses:	0	18
Provision for general reserve for possible loan losses	0	18
Write-off of loans	—	—
Provision for specific reserve for possible loan losses	—	—
Recoveries of written-off loans	—	—

Notes: 1. Net interest income is calculated by deducting interest expenses (excluding the expenses in relation to money held in trust) from interest income.

2. General and administrative expenses exclude non-recurring losses.

3. Credit-related expenses are those expenses related to problem assets disclosed under the Financial Reconstruction Act.

4. Numbers in parenthesis indicate the amount of loss, expense or decrease.

Gross Operating Profit and Gross Operating Profit Margin

Fiscal years ended March 31

	Millions of yen	
	2017	2016
Gross operating profit	¥1,410,256	¥1,452,082
Gross operating profit margin	0.70%	0.72%

Notes: 1. Gross operating profit = net interest income + net fees and commissions + net other operating income (loss)
2. Gross operating profit margin = [gross operating profit / average balance of interest-earning assets] x 100

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

Fiscal years ended March 31

	Millions of yen		
	2017		
	Domestic	Overseas	Total
Net interest income:	¥ 804,038	¥419,508	¥1,223,546
Interest income	1,046,541	596,691	1,567,512
Interest expenses	242,503	177,183	343,966
Net fees and commissions:	85,883	736	86,619
Fees and commissions income	118,688	776	119,465
Fees and commissions expenses	32,805	40	32,845
Net trading income:	—	—	—
Trading gains	—	—	—
Trading losses	—	—	—
Net other operating income (loss):	688	99,402	100,091
Other operating income	2,453	111,918	114,371
Other operating expenses	1,764	12,516	14,280

	Millions of yen		
	2016		
	Domestic	Overseas	Total
Net interest income:	¥ 970,588	¥390,477	¥1,361,065
Interest income	1,248,620	545,998	1,731,217
Interest expenses	278,032	155,520	370,151
Net fees and commissions:	90,401	737	91,139
Fees and commissions income	122,223	795	123,019
Fees and commissions expenses	31,821	58	31,879
Net trading income:	—	—	—
Trading gains	—	—	—
Trading losses	—	—	—
Net other operating income (loss):	5,178	(5,301)	(122)
Other operating income	6,357	6,596	12,953
Other operating expenses	1,178	11,897	13,076

Notes: 1. "Domestic" represents yen-denominated transactions while "overseas" represents foreign currency-denominated transactions (except that yen-denominated transactions with non-residents of Japan are included in "overseas").
2. Interest expenses exclude expenses corresponding to money held in trust (fiscal year ended March 31, 2017, ¥4,779 million; fiscal year ended March 31, 2016, ¥4,776 million).
3. Interest income on "domestic" includes interest on transactions between "domestic" and "overseas" (fiscal year ended March 31, 2017, ¥75,719 million; fiscal year ended March 31, 2016, ¥63,401 million).
4. For a part of interest income and expenses, transactions between "domestic" and "overseas" are offset to calculate totals. As a result, the total of each account may not be equal to the combined total of "domestic" and "overseas" of each item.

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

Fiscal years ended March 31

Domestic

	Millions of yen					
	2017			2016		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets:	¥193,991,919	¥1,046,541	0.53%	¥192,120,047	¥1,248,620	0.64%
Loans	3,081,133	17,741	0.57	2,681,909	25,091	0.93
Securities	92,901,349	926,690	0.99	109,010,368	1,116,543	1.02
Receivables under securities borrowing transactions	8,318,619	1,471	0.01	8,586,952	7,958	0.09
Due from banks, etc.	47,723,014	24,916	0.05	39,310,383	35,624	0.09
Interest-bearing liabilities:	184,991,156	242,503	0.13	184,078,165	278,032	0.15
Deposits	179,251,855	200,373	0.11	177,868,069	232,795	0.13
Payables under securities lending transactions	8,385,284	844	0.01	8,650,599	7,337	0.08

Overseas

	Millions of yen					
	2017			2016		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets:	¥48,252,687	¥596,691	1.23%	¥40,910,445	¥545,998	1.33%
Loans	2,151	7	0.35	2,614	11	0.43
Securities	48,099,311	595,384	1.23	40,072,765	541,079	1.35
Receivables under securities borrowing transactions	—	—	—	—	—	—
Due from banks, etc.	81,553	968	1.18	777,583	4,704	0.60
Interest-bearing liabilities:	47,375,519	177,183	0.37	38,370,177	155,520	0.40
Deposits	—	—	—	—	—	—
Payables under securities lending transactions	4,674,255	40,697	0.87	5,500,853	25,895	0.47

Total

	Millions of yen					
	2017			2016		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets:	¥200,321,045	¥1,567,512	0.78%	¥200,500,267	¥1,731,217	0.86%
Loans	3,083,285	17,748	0.57	2,684,524	25,103	0.93
Securities	141,000,661	1,522,075	1.07	149,083,133	1,657,623	1.11
Receivables under securities borrowing transactions	8,318,619	1,471	0.01	8,586,952	7,958	0.09
Due from banks, etc.	47,804,568	25,885	0.05	40,087,966	40,329	0.10
Interest-bearing liabilities:	190,443,114	343,966	0.18	189,918,117	370,151	0.19
Deposits	179,251,855	200,373	0.11	177,868,069	232,795	0.13
Payables under securities lending transactions	13,059,539	41,542	0.31	14,151,453	33,233	0.23

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, 2017, ¥2,646,250 million; fiscal year ended March 31, 2016, ¥2,450,837 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (fiscal year ended March 31, 2017, ¥2,646,250 million; fiscal year ended March 31, 2016, ¥2,450,837 million) and the corresponding interest (fiscal year ended March 31, 2017, ¥4,779 million; fiscal year ended March 31, 2016, ¥4,776 million) are excluded from interest-bearing liabilities.

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

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

Changes in Interest Income and Expenses

Fiscal years ended March 31

Domestic

	Millions of yen					
	2017			2016		
	Balance-related change	Interest-related change	Net change	Balance-related change	Interest-related change	Net change
Interest income:	¥ 12,053	¥(214,133)	¥(202,079)	¥ (1,000)	¥(176,349)	¥(177,349)
Loans	3,334	(10,685)	(7,350)	(2,886)	(3,148)	(6,035)
Securities	(161,334)	(28,518)	(189,853)	(250,424)	46,513	(203,910)
Receivables under securities borrowing transactions	(241)	(6,246)	(6,487)	434	(353)	81
Due from banks, etc.	6,539	(17,247)	(10,707)	12,136	(1,040)	11,095
Interest expenses:	1,372	(36,901)	(35,529)	911	(8,897)	(7,986)
Deposits	1,797	(34,220)	(32,422)	213	(9,125)	(8,912)
Payables under securities lending transactions	(218)	(6,274)	(6,492)	692	(1,092)	(400)

Overseas

	Millions of yen					
	2017			2016		
	Balance-related change	Interest-related change	Net change	Balance-related change	Interest-related change	Net change
Interest income:	¥ 92,883	¥(42,190)	¥50,693	¥86,951	¥(50,229)	¥36,721
Loans	(1)	(1)	(3)	11	—	11
Securities	102,003	(47,699)	54,304	83,336	(47,889)	35,447
Receivables under securities borrowing transactions	—	—	—	—	—	—
Due from banks, etc.	(6,164)	2,427	(3,736)	(587)	1,770	1,183
Interest expenses:	34,378	(12,716)	21,662	50,408	(3,317)	47,091
Deposits	—	—	—	—	—	—
Payables under securities lending transactions	(4,388)	19,189	14,801	5,033	13,710	18,744

Total

	Millions of yen					
	2017			2016		
	Balance-related change	Interest-related change	Net change	Balance-related change	Interest-related change	Net change
Interest income:	¥ (1,546)	¥(162,158)	¥(163,704)	¥ 24,195	¥(186,250)	¥(162,055)
Loans	3,329	(10,683)	(7,354)	(2,860)	(3,163)	(6,023)
Securities	(88,164)	(47,383)	(135,548)	(123,650)	(44,812)	(168,463)
Receivables under securities borrowing transactions	(241)	(6,246)	(6,487)	434	(353)	81
Due from banks, etc.	6,708	(21,152)	(14,444)	13,132	(854)	12,278
Interest expenses:	1,020	(27,205)	(26,185)	5,330	12,347	17,678
Deposits	1,797	(34,220)	(32,422)	213	(9,125)	(8,912)
Payables under securities lending transactions	(2,726)	11,035	8,309	3,663	14,679	18,343

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

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

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

General and Administrative Expenses

Fiscal years ended March 31

	Millions of yen			
	2017		2016	
	Amount	%	Amount	%
Personnel expenses:	¥ 123,212	11.68	¥ 123,243	11.58
Salaries and allowances	101,128	9.59	101,439	9.53
Others	22,084	2.09	21,804	2.04
Non-personnel expenses:	854,369	81.05	865,169	81.31
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	612,465	58.10	609,431	57.27
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (Note)	8,371	0.79	9,862	0.92
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	66,166	6.27	64,465	6.05
Rent for land, buildings and others	12,388	1.17	11,849	1.11
Expenses on consigned businesses	50,702	4.81	52,635	4.94
Depreciation and amortization	35,306	3.34	36,666	3.44
Communication and transportation expenses	19,124	1.81	19,676	1.84
Maintenance expenses	12,631	1.19	12,347	1.16
IT expenses	16,362	1.55	22,292	2.09
Others	20,848	1.97	25,942	2.43
Taxes and dues	76,470	7.25	75,591	7.10
Total	¥1,054,053	100.00	¥1,064,004	100.00

Note: The Bank makes subsidy payments to JAPAN POST HOLDINGS Co., Ltd. in accordance with Article 122 of the Postal Service Privatization Act.

DEPOSITS

Balances by Type of Deposit

As of March 31

Ending Balances

	Millions of yen			
	2017		2016	
	Amount	%	Amount	%
Liquid deposits:	¥ 67,994,923	37.89	¥ 63,834,943	35.88
Transfer deposits	13,052,115	7.27	13,874,601	7.80
Ordinary deposits, etc.	54,550,845	30.40	49,571,866	27.86
Savings deposits	391,963	0.21	388,475	0.21
Fixed-term deposits:	111,280,733	62.01	113,852,874	64.00
Time deposits	10,065,156	5.60	11,441,153	6.43
TEIGAKU deposits, etc.	101,215,576	56.40	102,410,683	57.57
Other deposits	159,029	0.08	184,168	0.10
Subtotal	179,434,686	100.00	177,871,986	100.00
Negotiable certificates of deposit	—	—	—	—
Total	¥179,434,686	100.00	¥177,871,986	100.00

Fiscal years ended March 31

Average Balances

	Millions of yen			
	2017		2016	
	Amount	%	Amount	%
Liquid deposits:	¥ 65,952,601	36.79	¥ 62,432,860	35.10
Transfer deposits	13,133,438	7.32	12,413,131	6.97
Ordinary deposits, etc.	52,429,547	29.24	49,627,508	27.90
Savings deposits	389,616	0.21	392,220	0.22
Fixed-term deposits:	113,138,020	63.11	115,247,660	64.79
Time deposits	10,752,770	5.99	12,339,989	6.93
TEIGAKU deposits, etc.	102,384,806	57.11	102,906,340	57.85
Other deposits	161,233	0.08	187,548	0.10
Subtotal	179,251,855	100.00	177,868,069	100.00
Negotiable certificates of deposit	—	—	—	—
Total	¥179,251,855	100.00	¥177,868,069	100.00

Time Deposits by Time to Maturity

As of March 31

		Millions of yen	
		2017	2016
Less than three months	Time deposits:	¥ 1,883,903	¥ 2,183,027
	Fixed interest rates	1,883,903	2,183,027
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Three and < six months	Time deposits:	2,066,609	2,291,504
	Fixed interest rates	2,066,609	2,291,504
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Six months and < one year	Time deposits:	4,844,961	5,465,814
	Fixed interest rates	4,844,961	5,465,814
	Floating interest rates	—	—
	Other time deposits	—	—
≥ One and < two years	Time deposits:	594,273	585,455
	Fixed interest rates	594,273	585,455
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Two and < three years	Time deposits:	527,935	554,030
	Fixed interest rates	527,935	554,030
	Floating interest rates	—	—
	Other time deposits	—	—
Three years or more	Time deposits:	147,472	361,321
	Fixed interest rates	147,472	361,321
	Floating interest rates	—	—
	Other time deposits	—	—
Total	Time deposits:	¥10,065,156	¥11,441,153
	Fixed interest rates	10,065,156	11,441,153
	Floating interest rates	—	—
	Other time deposits	—	—

TEIGAKU Deposits by Time to Maturity

As of March 31

		Millions of yen	
		2017	2016
Less than one year		¥ 15,103,870	¥ 7,841,539
≥ One and < three years		18,601,925	29,809,070
≥ Three and < five years		25,497,182	19,822,760
≥ Five and < seven years		13,861,706	18,310,254
Seven years or more		28,150,891	26,627,057
Total		¥101,215,576	¥102,410,683

Notes: 1. TEIGAKU deposits and special deposits (equivalent to TEIGAKU savings) are based on the balance by remaining time to maturity.

2. Special deposits are deposits received from the Management Organization corresponding to the Postal Savings Deposits that were passed on to the Management Organization by Japan Post Corporation.

3. Figures have been calculated based on the assumption that all deposits will be held to maturity.

LOANS

Loans by Category

As of March 31

Ending Balances

	Millions of yen	
	2017	2016
Domestic:		
Loans on notes	—	—
Loans on deeds	¥3,866,110	¥2,318,798
Overdrafts	198,009	219,951
Notes discounted	—	—
Subtotal	4,064,120	2,538,749
Overseas:		
Loans on notes	—	—
Loans on deeds	—	3,300
Overdrafts	—	—
Notes discounted	—	—
Subtotal	—	3,300
Total	¥4,064,120	¥2,542,049

Fiscal years ended March 31

Average Balances

	Millions of yen	
	2017	2016
Domestic:		
Loans on notes	—	—
Loans on deeds	¥2,877,528	¥2,462,009
Overdrafts	203,605	219,899
Notes discounted	—	—
Subtotal	3,081,133	2,681,909
Overseas:		
Loans on notes	—	—
Loans on deeds	2,151	2,614
Overdrafts	—	—
Notes discounted	—	—
Subtotal	2,151	2,614
Total	¥3,083,285	¥2,684,524

Loans by Time to Maturity

As of March 31

		Millions of yen	
		2017	2016
One year or less	Loans:	¥2,297,274	¥ 354,815
	Floating interest rates	/	/
	Fixed interest rates	/	/
> One and ≤ three years	Loans:	416,841	548,188
	Floating interest rates	117,560	157,311
	Fixed interest rates	299,281	390,877
> Three and ≤ five years	Loans:	232,094	350,971
	Floating interest rates	48,154	51,300
	Fixed interest rates	183,939	299,671
> Five and ≤ seven years	Loans:	320,738	202,049
	Floating interest rates	35,200	51,339
	Fixed interest rates	285,538	150,710
> Seven and ≤ ten years	Loans:	526,686	718,828
	Floating interest rates	620	320
	Fixed interest rates	526,066	718,508
Over ten years	Loans:	270,483	367,196
	Floating interest rates	3,192	2,530
	Fixed interest rates	267,291	364,665
No designated term	Loans:	—	—
	Floating interest rates	—	—
	Fixed interest rates	—	—
Total		¥4,064,120	¥2,542,049

Notes: 1. Loans to the Management Organization include loans for which the interest rate is revised (5 years/10 years), and those loans are recorded as fixed interest rate loans.

2. Loans to depositors (maturities of two years or less) are treated as having time to maturity of one year or less.

3. Loans with maturities of one year or less have not been categorized into fixed and floating interest rate instruments.

Loans and Acceptances and Guarantees by Type of Collateral

As of March 31

Loans by Type of Collateral

		Millions of yen	
		2017	2016
Securities		¥ 40	¥ 68
Receivables		186,280	197,535
Merchandise		—	—
Real estate		—	—
Others		—	—
Subtotal		186,320	197,604
Guarantees		32,883	24,061
Credit		3,844,915	2,320,384
Total		¥4,064,120	¥2,542,049

Acceptances and Guarantees by Type of Collateral

	Millions of yen	
	2017	2016
Securities	—	—
Receivables	—	—
Merchandise	—	—
Real estate	—	—
Others	—	—
Subtotal	—	—
Guarantees	—	—
Credit	—	¥75,000
Total	—	¥75,000

Loans by Purpose

As of March 31

	Millions of yen			
	2017		2016	
	Amount	%	Amount	%
Funds for capital investment	¥ 15,547	0.38	¥ 20,770	0.81
Funds for working capital	4,048,573	99.61	2,521,279	99.18
Total	¥4,064,120	100.00	¥2,542,049	100.00

Loans by Industry

As of March 31

	Millions of yen			
	2017		2016	
	Amount	%	Amount	%
Domestic (excluding Japan Offshore Market accounts)	¥4,064,120	100.00	¥2,538,749	100.00
Agriculture, forestry, fisheries, and mining	—	—	—	—
Manufacturing	—	—	51,808	2.04
Utilities, information/communications, and transportation	75,811	1.86	83,769	3.29
Wholesale and retail	10,518	0.25	—	—
Finance and insurance	1,311,274	32.26	1,525,987	60.10
Construction and real estate	14,062	0.34	12,112	0.47
Services and goods rental/leasing	23,044	0.56	26,132	1.02
Central and local governments	2,440,005	60.03	638,140	25.13
Others	189,404	4.66	200,799	7.90
Overseas and Japan Offshore Market accounts	—	—	3,300	100.00
Governments	—	—	—	—
Financial institutions	—	—	—	—
Others	—	—	3,300	100.00
Total	¥4,064,120		¥2,542,049	

Notes: 1. "Domestic" represents loans to residents of Japan, while "overseas" represents loans to non-residents of Japan.

2. Of "Finance and insurance," loans to the Management Organization were ¥951,200 million and ¥1,216,710 million as of March 31, 2017 and March 31, 2016, respectively.

Loans to Individuals and Small and Medium-size Enterprises

As of March 31

	Millions of yen	
	2017	2016
Total loans (A)	¥4,064,120	¥2,542,049
Loans to individuals and small and medium-size enterprises (B)	189,404	200,799
(B)/(A)	4.66%	7.89%

Note: Individuals and small and medium-size enterprises are defined as companies with capital of ¥300 million or less (¥100 million or less for wholesalers and ¥50 million or less for retail and service businesses) or companies with full-time employees of 300 workers or less (100 employees or less for wholesalers, 50 employees or less for retail businesses, and 100 employees or less for service businesses) and individuals.

Risk-Monitored Loans

As of March 31

	Millions of yen	
	2017	2016
Loans to bankrupt borrowers	—	—
Non-accrual delinquent loans	—	—
Past-due loans for three months or more	—	—
Restructured loans	—	—
Total	—	—

Problem Assets Disclosed under the Financial Reconstruction Act

As of March 31

	Millions of yen	
	2017	2016
Loans to borrowers classified as bankrupt or quasi-bankrupt	—	—
Loans to borrowers classified as doubtful	—	—
Loans requiring close monitoring	—	—
Subtotal (A)	—	—
Loans to borrowers classified as normal	¥4,145,468	¥2,645,437
Total (B)	¥4,145,468	¥2,645,437
Non-performing loan ratio (A)/(B)	—%	—%

Reserve for Possible Loan Losses

Fiscal years ended March 31

	Millions of yen			
	2017			
	Balance at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at the end of the fiscal year
General reserve for possible loan losses	¥ 277	¥ 267	¥ 277	¥ 267
Specific reserve for possible loan losses	753	829	753	829
Total	¥1,030	¥1,096	¥1,030	¥1,096

	Millions of yen			
	2016			
	Balance at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at the end of the fiscal year
General reserve for possible loan losses	¥ 315	¥ 277	¥ 315	¥ 277
Specific reserve for possible loan losses	740	753	740	753
Total	¥1,055	¥1,030	¥1,055	¥1,030

SECURITIES

Average Balance by Type of Trading Book Securities

Fiscal years ended March 31

	Millions of yen	
	2017	2016
Trading book Japanese government bonds	¥71	¥207
Trading book Japanese local government bonds	—	—
Trading book government guaranteed bonds	—	—
Other trading book securities	—	—
Total	¥71	¥207

Securities by Time to Maturity

As of March 31

	Millions of yen							Total
	2017							
	One year or less	> One and ≤ three years	> Three and ≤ five years	> Five and ≤ seven years	> Seven and ≤ ten years	Over ten years	No designated term	
Japanese government bonds	¥ 9,888,901	¥15,380,393	¥16,439,471	¥20,538,062	¥3,812,603	¥2,745,557	¥ —	¥ 68,804,989
Japanese local government bonds	572,014	1,821,820	1,877,744	990,002	789,991	30,652	—	6,082,225
Japanese corporate bonds	1,976,578	3,844,760	1,908,650	1,123,945	900,105	1,232,790	—	10,986,829
Other securities	3,057,747	6,148,326	5,632,986	2,470,971	2,230,686	772,050	32,605,635	52,918,403
Foreign bonds	3,012,866	6,148,326	5,632,986	2,469,992	2,229,722	649,573	—	20,143,467
Investment trusts	—	—	—	—	—	122,477	32,604,245	32,726,722
Foreign stocks	—	—	—	—	—	—	—	—
Total	¥15,495,241	¥27,195,300	¥25,858,852	¥25,122,981	¥7,733,385	¥4,781,050	¥32,605,635	¥138,792,448

	Millions of yen							Total
	2016							
	One year or less	> One and ≤ three years	> Three and ≤ five years	> Five and ≤ seven years	> Seven and ≤ ten years	Over ten years	No designated term	
Japanese government bonds	¥15,898,027	¥17,251,158	¥16,014,531	¥22,722,952	¥ 8,160,416	¥2,208,568	¥ —	¥ 82,255,654
Japanese local government bonds	506,182	1,349,394	2,263,456	923,089	780,525	33,860	—	5,856,509
Japanese corporate bonds	1,393,420	3,896,262	2,539,082	546,690	878,440	1,313,814	—	10,567,710
Other securities	2,709,729	6,144,894	6,510,664	2,566,385	1,834,895	108,034	25,522,356	45,396,959
Foreign bonds	2,709,729	6,099,795	6,510,664	2,566,385	1,834,895	108,034	—	19,829,503
Investment trusts	—	—	—	—	—	—	25,520,966	25,520,966
Foreign stocks	—	—	—	—	—	—	—	—
Total	¥20,507,359	¥28,641,711	¥27,327,733	¥26,759,118	¥11,654,277	¥3,664,277	¥25,522,356	¥144,076,834

Balance by Type of Securities

As of March 31

Ending Balances

	Millions of yen	
	2017	2016
Domestic:		
Japanese government bonds	¥ 68,804,989	¥ 82,255,654
Japanese local government bonds	6,082,225	5,856,509
Japanese corporate bonds	10,986,829	10,567,710
Other securities	3,332	1,390
Subtotal	85,877,377	98,681,264
Overseas:		
Other securities	52,915,071	45,395,569
Foreign bonds	20,143,467	19,829,503
Investment trusts	32,726,722	25,520,966
Foreign stocks	—	—
Subtotal	52,915,071	45,395,569
Total	¥138,792,448	¥144,076,834

Fiscal years ended March 31

Average Balances

	Millions of yen	
	2017	2016
Domestic:		
Japanese government bonds	¥ 76,271,808	¥ 92,933,962
Japanese local government bonds	5,926,257	5,517,565
Japanese corporate bonds	10,701,347	10,557,721
Other securities	1,935	1,118
Subtotal	92,901,349	109,010,368
Overseas:		
Other securities	48,099,311	40,072,765
Foreign bonds	19,527,484	19,778,504
Investment trusts	28,528,342	20,224,805
Foreign stocks	—	—
Subtotal	48,099,311	40,072,765
Total	¥141,000,661	¥149,083,133

Asset Management Status

As of March 31

	Millions of yen			
	2017		2016	
	Outstanding assets	%	Outstanding assets	%
Due from banks, etc.	¥ 51,213,391	24.71	¥ 45,769,105	22.33
Call loans	470,000	0.22	978,837	0.47
Receivables under securities borrowing transactions	8,718,905	4.20	7,923,229	3.86
Money held in trust	3,817,908	1.84	3,561,110	1.73
Securities:	138,792,448	66.98	144,076,834	70.32
Japanese government bonds	68,804,989	33.20	82,255,654	40.14
Japanese local government bonds	6,082,225	2.93	5,856,509	2.85
Japanese corporate bonds	10,986,829	5.30	10,567,710	5.15
Other securities	52,918,403	25.54	45,396,959	22.15
Foreign bonds	20,143,467	9.72	19,829,503	9.67
Investment trusts	32,726,722	15.79	25,520,966	12.45
Loans	4,064,120	1.96	2,542,049	1.24
Others	116,718	0.05	25,516	0.01
Total	¥207,193,492	100.00	¥204,876,683	100.00

Notes: 1. "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits and monetary claims bought.
2. Investment trusts are mainly invested in foreign bonds.

Foreign Bonds

As of March 31

Foreign Bonds by Currency

	Millions of yen			
	2017		2016	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥ 5,220,018	25.91	¥ 5,299,807	26.72
U.S. dollar	11,515,528	57.16	11,019,043	55.56
Euro	2,929,283	14.54	3,218,573	16.23
Others	478,637	2.37	292,079	1.47
Total	¥20,143,467	100.00	¥19,829,503	100.00

Money Held in Trust

As of March 31

Assets by Type

	Millions of yen			
	2017		2016	
	Outstanding assets	%	Outstanding assets	%
Domestic stocks	¥2,079,290	61.73	¥1,878,626	59.22
Domestic bonds	1,274,178	37.83	1,293,411	40.77
Foreign stocks	0	0.00	0	0.00
Real estate funds	14,640	0.43	—	—
Total	¥3,368,110	100.00	¥3,172,037	100.00

Assets by Currency

	Millions of yen			
	2017		2016	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥3,368,110	99.99	¥3,172,037	99.99
U.S. dollar	—	—	—	—
Euro	0	0.00	0	0.00
Others	—	—	—	—
Total	¥3,368,110	100.00	¥3,172,037	100.00

Note: Cash and deposits are excluded.

Securitized Product Exposure

As of March 31, 2017 and March 31, 2016, the Bank held the following securitized products and other products.

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

As of March 31

1. Securitized Products

Region		Billions of yen			
		2017			Credit ratings
		Acquisition cost (A)	Net unrealized gains (losses) (B)	(B)/(A)	
Domestic	Residential mortgage-backed securities (RMBS)	¥1,276.0	¥ 41.5	3.25%	AAA
	Subprime loan related	—	—	—	—
	Collateralized loan obligations (CLO)	94.1	1.6	1.76	AA~A
	Other securitized products	101.2	(0.1)	(0.10)	AAA
	Commercial mortgage-backed securities (CMBS)	—	—	—	—
	Collateralized debt obligations (CDO)	2.0	0.1	5.00	AAA
	Subtotal	1,473.4	43.2	2.93	/
Overseas	Residential mortgage-backed securities (RMBS)	240.3	(10.0)	(4.17)	AAA
	Subprime loan related	—	—	—	—
	Collateralized loan obligations (CLO)	156.4	4.0	2.56	AAA
	Subtotal	396.8	(6.0)	(1.51)	/
Total		¥1,870.2	¥ 37.1	1.98%	/

		Billions of yen			Credit ratings
		2016			
Region		Acquisition cost (A)	Net unrealized gains (losses) (B)	(B)/(A)	
Domestic	Residential mortgage-backed securities (RMBS)	¥1,280.1	¥71.0	5.54%	AAA~AA
	Subprime loan related	—	—	—	—
	Collateralized loan obligations (CLO)	94.2	3.0	3.22	AA~A
	Other securitized products	71.9	0.0	0.03	AAA
	Commercial mortgage-backed securities (CMBS)	—	—	—	—
	Collateralized debt obligations (CDO)	2.7	0.1	6.46	AAA
	Subtotal	1,449.1	74.2	5.12	/
Overseas	Residential mortgage-backed securities (RMBS)	253.3	(4.3)	(1.71)	AAA
	Subprime loan related	—	—	—	—
	Collateralized loan obligations (CLO)	—	—	—	—
	Subtotal	253.3	(4.3)	(1.71)	/
Total		¥1,702.5	¥69.8	4.10%	/

Notes: 1. The underlying assets provided are only those from multiple debtors comprising securitized products.

2. No hedging activities against credit risks were made.

3. The above table does not include securitized products that might be included in investment trusts. The same shall apply hereinafter.

4. Other securitized products are securitized products of which major underlying assets are auto loan claims.

5. Excludes U.S. GSE related items.

6. Net unrealized gains (losses) include gains (losses) which are recognized in the statements of income by applying fair value hedge accounting. The amounts were ¥8.0 billion of loss as of March 31, 2017 and ¥5.4 billion of loss as of March 31, 2016.

2. Structured Investment Vehicles (SIVs)

There were no investments in SIVs.

3. Leveraged Loans

There were no outstanding leveraged loans.

4. Monoline Insurer-related Products

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

RATIOS

Net Ordinary Income to Assets and Equity

Fiscal years ended March 31

	%	
	2017	2016
Net ordinary income to assets	0.21	0.23
Net ordinary income to equity	3.79	4.16

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

Net Income to Assets and Equity

Fiscal years ended March 31

	%	
	2017	2016
Net income to assets (ROA)	0.14	0.15
Net income to equity (ROE)	2.68	2.80

Notes: 1. ROA = net income / [(sum of total assets at the beginning and the end of the fiscal year) / 2] x 100
 2. ROE = net income / [(sum of total net assets at the beginning and the end of the fiscal year) / 2] x 100

Overhead Ratio and Expense-to-Deposit Ratio

Fiscal years ended March 31

	%	
	2017	2016
Overhead ratio (OHR)	74.89	73.42
Expense-to-deposit ratio	0.58	0.59

Notes: 1. OHR = [general and administrative expenses (excluding non-recurring expenses) / gross operating profit] x 100
 2. Expense-to-deposit ratio = [general and administrative expenses (excluding non-recurring expenses) / average deposit balances] x 100

Interest Rate Spread

Fiscal years ended March 31

	%	
	2017	2016
Domestic:		
Yield on interest-earning assets	0.53	0.64
Interest rate on interest-bearing liabilities	0.13	0.15
Interest rate spread	0.40	0.49
Overseas:		
Yield on interest-earning assets	1.23	1.33
Interest rate on interest-bearing liabilities	0.37	0.40
Interest rate spread	0.86	0.92
Total:		
Yield on interest-earning assets	0.78	0.86
Interest rate on interest-bearing liabilities	0.18	0.19
Interest rate spread	0.60	0.66

Loan-Deposit Ratio

As of March 31

	Millions of yen		
	2017		
	Domestic	Overseas	Total
Loans (A)	¥ 4,064,120	—	¥ 4,064,120
Deposits (B)	179,434,686	—	179,434,686
Loan-deposit ratio (A)/(B)	2.26%	—	2.26%
Loan-deposit ratio (average for the fiscal year)	1.71%	—	1.72%

	Millions of yen		
	2016		
	Domestic	Overseas	Total
Loans (A)	¥ 2,538,749	¥3,300	¥ 2,542,049
Deposits (B)	177,871,986	—	177,871,986
Loan-deposit ratio (A)/(B)	1.42%	—	1.42%
Loan-deposit ratio (average for the fiscal year)	1.50%	—	1.50%

Security-Deposit Ratio

As of March 31

	Millions of yen		
	2017		
	Domestic	Overseas	Total
Securities (A)	¥ 85,877,377	¥52,915,071	¥138,792,448
Deposits (B)	179,434,686	—	179,434,686
Security-deposit ratio (A)/(B)	47.85%	—	77.34%
Security-deposit ratio (average for the fiscal year)	51.82%	—	78.66%

	Millions of yen		
	2016		
	Domestic	Overseas	Total
Securities (A)	¥ 98,681,264	¥45,395,569	¥144,076,834
Deposits (B)	177,871,986	—	177,871,986
Security-deposit ratio (A)/(B)	55.47%	—	81.00%
Security-deposit ratio (average for the fiscal year)	61.28%	—	83.81%

OTHERS

Over-the-Counter Sales of Japanese Government Bonds

Fiscal years ended March 31

	Millions of yen	
	2017	2016
Long-term bonds	¥ 1,024	¥ 28,127
Medium-term bonds	0	5,815
Bonds for individuals	64,406	98,331
Total	¥65,430	¥132,275

Domestic Exchanges

Fiscal years ended March 31

Remittances

	Millions of yen			
	2017		2016	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Sent	27,897	¥21,516,587	26,793	¥23,586,237
Received	92,705	20,798,405	79,485	17,625,900

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

Transfer Deposits

	Millions of yen			
	2017		2016	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
In-payment	1,164,002	¥51,150,496	1,170,468	¥64,521,205
Transfers	104,625	88,844,655	110,268	84,498,625
Out-payment	119,980	43,221,766	119,168	51,293,715

Ordinary Remittances and Postal Orders (TEIGAKU KOGAWASE)

	Millions of yen			
	2017		2016	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Ordinary remittances	1,209	¥22,556	1,224	¥26,028
Postal orders (TEIGAKU KOGAWASE)	15,841	9,008	15,867	8,945

Foreign Exchanges

Fiscal years ended March 31

	Millions of U.S. dollars			
	2017		2016	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Foreign exchanges	314	\$1,169	334	\$1,223

Note: Foreign exchanges represent the total of international remittances and purchases of traveler's checks. The purchase of traveler's checks was terminated as of May 2, 2016.

Investment Trusts Sales (Contract Basis)

Fiscal years ended March 31

	Millions of yen	
	2017	2016
Number of contracts (thousands)	1,251	1,164
Sales amount	¥544,399	¥427,085

Note: Investment trust data is rounded to nearest full unit.

As of March 31

	Millions of yen	
	2017	2016
Number of investment trust accounts (thousands)	749	696
Net assets	¥1,310,151	¥1,135,550

Other Businesses

Credit Cards

Fiscal years ended March 31

	Thousands	
	2017	2016
Number of cards issued	61	65

As of March 31

	Thousands	
	2017	2016
Number of cards issued (cumulative) (outstanding)	1,093	1,285

Mortgage Loans (as intermediary)

Fiscal years ended March 31

	Millions of yen	
	2017	2016
Amount of new credit extended	¥39,908	¥36,369

As of March 31

	Millions of yen	
	2017	2016
Amount of new credit extended (cumulative)	¥383,259	¥343,350

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

Variable Annuities Policies

Fiscal years ended March 31

	Millions of yen	
	2017	2016
Number of policies	17,731	17,220
Sales amount	¥90,712	¥92,270

As of March 31

	Millions of yen	
	2017	2016
Number of policies (cumulative)	100,507	82,776
Sales amount (cumulative)	¥528,434	¥437,722

CAPITAL POSITION

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

As of March 31

		Millions of yen			
		2017	Amounts excluded under transitional arrangements	2016	Amounts excluded under transitional arrangements
Core Capital: instruments and reserves	Directly issued qualifying common stock or preferred stock mandatorily converted into common stock capital plus related capital surplus and retained earnings	¥8,635,897	/	¥8,511,519	/
	of which: Capital and capital surplus	7,796,285	/	7,796,285	/
	of which: Retained earnings	2,233,759	/	2,108,969	/
	of which: Treasury stock (deduction)	1,300,411	/	1,299,999	/
	of which: Cash dividends to be paid (deduction)	93,736	/	93,736	/
	of which: Other than above	—	/	—	/
	Subscription rights to common stock or preferred stock mandatorily converted into common stock	—	/	—	/
	Reserves included in Core Capital: instruments and reserves	267	/	277	/
	of which: General reserve for possible loan losses	267	/	277	/
	of which: Eligible reserve	—	/	—	/
	Eligible non-cumulative perpetual preferred stock subject to phase out arrangement included in Core Capital: instruments and reserves	—	/	—	/
	Eligible capital instrument subject to phase out arrangement included in Core Capital: instruments and reserves	—	/	—	/
	Capital instrument issued through the measures for strengthening capital by public institutions included in Core Capital: instruments and reserves	—	/	—	/
	45% of revaluation reserve for land included in Core Capital: instruments and reserves	—	/	—	/
Core Capital: instruments and reserves (A)	8,636,164	/	8,511,796	/	
Core Capital: regulatory adjustments	Total intangible fixed assets (net of related tax liability, excluding those relating to mortgage servicing rights)	19,223	¥12,815	12,450	¥18,675
	of which: Goodwill (net of related tax liability)	—	—	—	—
	of which: Other intangible fixed assets other than goodwill and mortgage servicing rights (net of related tax liability)	19,223	12,815	12,450	18,675
	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—	—	—
	Shortfall of eligible provisions to expected losses	—	—	—	—
	Securitization gain on sale	—	—	—	—
	Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	—	—
	Prepaid pension costs	—	—	—	—
	Investments in own shares (excluding those reported in the Net Assets section)	0	0	20	31
	Reciprocal cross-holdings in capital instruments issued by Other Financial Institutions for raising capital that are held by the Holding Company Group	—	—	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation ('Other Financial Institutions'), net of eligible short positions, where the bank does not own more than 10% of the issued share capital ('Non-significant Investment') (amount above the 10% threshold)	—	—	—	—	

		Millions of yen			
		2017	Amounts excluded under transitional arrangements	2016	Amounts excluded under transitional arrangements
Core Capital: regulatory adjustments	Amount exceeding the 10% threshold on specified items	—	—	—	—
	of which: Significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—
	of which: Mortgage servicing rights	—	—	—	—
	of which: Deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—
	Amount exceeding the 15% threshold on specified items	—	—	—	—
	of which: Significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—
	of which: Mortgage servicing rights	—	—	—	—
	of which: Deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—
	Core Capital: regulatory adjustments (B)		19,224	/	12,471
Total capital	Total capital (A)–(B)=(C)	¥ 8,616,940	/	¥ 8,499,325	/
Risk-weighted assets	Credit risk-weighted assets	¥35,906,558	/	¥29,253,213	/
	of which: Total of items included in risk-weighted assets subject to transitional arrangements	(23,743)	/	(163,930)	/
	of which: Intangible fixed assets other than goodwill and mortgage servicing rights (net of related tax liability)	12,815	/	18,675	/
	of which: Deferred tax assets (net of related tax liability)	—	/	—	/
	of which: Prepaid pension costs	—	/	—	/
	of which: Other Financial Institutions Exposures	(36,560)	/	(182,637)	/
	of which: Other than the above	0	/	31	/
	Market risk equivalent / 8%	—	/	—	/
	Operational risk equivalent / 8%	2,873,248	/	2,965,316	/
	Credit risk-weighted assets adjustments	—	/	—	/
Operational risk equivalent adjustments	—	/	—	/	
	Total amount of risk-weighted assets (D)	¥38,779,806	/	¥32,218,529	/
Capital adequacy ratio	Capital adequacy ratio (C)/(D) (%)	22.22	/	26.38	/

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

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 part of the internal control system recognized as necessary by the Bank based on procedures agreed on by the Bank and KPMG AZSA LLC. The audit corporation reported these results privately to the Bank and did not issue an audit opinion regarding the capital adequacy ratio or the capital adequacy assessment process of the internal control system.

INSTRUMENTS FOR RAISING CAPITAL

Outline of Instruments for Raising Capital

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

- Total issued and outstanding common shares: 4,500,000,000 shares (including 750,524,950 shares of treasury stock)

ASSESSMENT OF CAPITAL ADEQUACY

When creating or making major revisions to its business plans, the Bank performs stress tests based on multiple forward-looking scenarios. From the standpoint of business sustainability, the Bank assesses the adequacy of its own capital with regard to regulatory capital based on capital adequacy regulations and economic capital (risk capital) based on internal risk assessment methods. The findings are then reported to the ALM Committee, the Executive Committee and the Board of Directors.

For the capital adequacy assessment based on regulatory capital, the Bank ensures regulatory levels are satisfied based on calculations of regulatory ratios, including the capital adequacy ratio and the outlier ratio.

For the capital adequacy assessment based on economic capital, the Bank monitors capital adequacy by comparing the actual amount of risk taken to risk capital, which is allocated according to credit risk, market risk and operational risk when business plans are created, within the framework for integrated risk management. The Bank also forms an assessment by comparing risk capital to the total amount of risk, i.e., the sum of losses from market risk and credit risk calculated from stress tests, and the amount of operational risk. The Bank assesses the quality of its capital by examining the proportion of total stockholders' equity attributable to common stock to its risk capital.

The results of these assessments are reported periodically to the ALM Committee, the Executive Committee and the Board of Directors for the purpose of enhancing capital adequacy.

Total Required Capital (Non-Consolidated)

As of March 31

	Millions of yen	
	2017	2016
(1) Capital requirement for credit risk:	¥1,436,262	¥1,170,128
Portfolios applying the standardized approach	1,403,887	1,156,381
Securitization exposures	13,641	3,601
CVA risk equivalent	18,733	10,144
Central Counterparty-related exposures	0	0
(2) Capital requirement for market risk:	—	—
(3) Capital requirement for operational risk:	114,929	118,612
The basic indicator approach	114,929	118,612
(4) Total capital requirements (1) + (2) + (3)	¥1,551,192	¥1,288,741

Notes: 1. Capital requirement for credit risk: Credit risk-weighted assets x 4%

2. Capital requirement for operational risk: (Operational risk equivalent / 8%) x 4%

3. Total capital requirements: Denominator of capital adequacy ratio x 4%

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

As of March 31

Item	(Reference) Risk weight (%)	Millions of yen	
		2017	2016
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	15,661	21,622
4 Bank for International Settlements, etc.	0	0	0
5 Non-central government public sector entities	0	0	0
6 Foreign non-central government public sector entities	20–100	9,116	14,280
7 Multilateral Development Banks	0–100	14	14
8 Japan Finance Organization for Municipalities	10–20	3,283	2,987
9 Japanese government agencies	10–20	12,077	12,959
10 Three regional public corporations	20	318	275
11 Financial institutions and Type I Financial Instruments Business Operators	20–100	194,048	166,291
12 Corporates	20–100	735,676	613,075
13 Small and medium-size enterprises and individuals	75	—	—
14 Mortgage loans	35	—	—
15 Project finance (acquisition of real estate)	100	34,679	22,587
16 Past-due loans (three months or more)	50–150	146,389	120,048
17 Unsettled bills	20	—	—
18 Loans guaranteed by Credit Guarantee Corporation, etc.	0–10	—	—
19 Loans guaranteed by the Regional Economy Vitalization Corporation of Japan (REVIC), etc.	10	—	—
20 Investments in capital and others	100–1250	45,411	49,791
Exposure to investments, etc.	100	45,411	49,791
Exposure to critical investments	1250	—	—
21 Other than above	100–250	123,421	110,267
Exposures to fund procurement methods by other financial institutions, etc., other than those corresponding to common shares, etc.	250	105,743	83,586
Exposures to specific items that are not included in adjustment items	250	9,177	8,647
Exposures other than those listed above	100	8,499	18,033
22 Securitization transactions (as originator)	20–1250	—	—
Re-securitization transactions	40–1250	—	—
23 Securitization transactions (as investor and other)	20–1250	7,414	3,601
Re-securitization transactions	40–1250	32	43
24 Assets comprised of asset pools (so-called funds) for which the individual underlying assets are difficult to identify	—	30,735	—
25 Amounts included in risk-weighted assets due to transitional arrangements	—	512	748
26 Amounts related to exposures to fund procurement methods of other financial institutions, and such like, where such amounts are not included in risk-weighted assets due to transitional arrangements	—	(1,462)	(7,305)
Total	—	¥1,357,297	¥1,131,246

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

Credit risk-weighted assets x 4%

2. Risk weightings are stipulated in the Capital Adequacy Notification.

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

As of March 31

Item	(Reference) CCF (%)	Millions of yen	
		2017	2016
1 Commitments cancelable automatically or unconditionally at any time	0	¥ 0	¥ 0
2 Commitments with an original maturity up to one year	20	—	—
3 Short-term trade contingent liabilities	20	—	—
4 Contingent liabilities arising from specific transactions	50	—	—
(Guaranteed principal amounts held in some trusts under the transitional provisions)	50	—	—
5 NIFs and RUFs	50	—	—
6 Commitments with an original maturity over one year	50	14,496	—
7 Contingent liabilities arising from directly substituted credit	100	16,779	11,832
(Secured with loan guarantees)	100	897	1,801
(Secured with securities)	100	—	—
(Secured with acceptances)	100	—	—
(Guaranteed principal amounts held in some trusts outside of the transitional arrangements)	100	—	—
(Credit derivative protection provided)	100	12,242	8,031
8 Sale and repurchase agreements and asset sales with recourse (after deductions)	—	—	—
Assets sold with repurchase agreements or assets sold with right of claim (before deductions)	100	—	—
Deductions	—	—	—
9 Forward asset purchases, forward deposits and partly-paid shares and securities	100	7,389	0
10 Securities lending, cash or securities collateral provision, or repo-style transactions	100	9,056	10,114
11 Derivative transactions and long-settlement transactions	—	12,489	6,767
Current exposure method	—	12,489	6,767
Derivative transactions	—	12,488	6,763
(1) Foreign exchange-related transactions	—	9,735	7,773
(2) Interest rate-related transactions	—	4,444	1,110
(3) Gold-related transactions	—	0	—
(4) Equity-related transactions	—	108	—
(5) Precious metal-related transactions (excluding gold)	—	0	—
(6) Other commodity-related transactions	—	28	—
(7) Credit derivative transactions (counterparty risk)	—	20	29
Write-off of credit equivalent amounts under master netting agreement (deduction)	—	1,849	2,150
Long-settlement transactions	—	0	3
12 Unsettled transactions	—	19	23
13 Eligible liquidity facilities related to securitization exposure and eligible servicer cash advance facilities	0-100	—	—
14 Off-balance sheet securitization exposure other than the above	100	—	—
Total	—	¥60,231	¥28,736

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

CREDIT RISK

Outline of Credit Risk Management Policies and Procedures

See Pages 64–67 (Credit Risk Management).

Qualified Rating Agencies Used

• Qualified Rating Agencies Used to Determine Risk Weights

In determining risk weights, the Bank utilizes the credit ratings of four rating agencies, specifically, Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), and S&P Global Ratings (S&P), in addition to the Organisation for Economic Co-operation and Development (OECD).

• Qualified Rating Agencies Used to Determine Risk Weight by Exposure Category

The Bank uses the following qualified rating agencies for each of the following risk exposure categories.

In the case where multiple credit rating agencies provide ratings, the Bank selects the credit rating that yields the second smallest risk weight in accordance with the Capital Adequacy Notification.

Exposure		Rating agencies
Central governments and central banks	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Non-central government public sector entities		R&I, JCR, Moody's, S&P
Foreign non-central government public sector entities		Moody's, S&P, OECD
Multilateral Development Banks		Moody's, S&P
Japan Finance Organization for Municipalities		R&I, JCR, Moody's, S&P
Japanese government agencies		R&I, JCR, Moody's, S&P
Three regional public corporations		R&I, JCR, Moody's, S&P
Financial institutions and Type I Financial Instruments Business Operators	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Corporates	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P
Securitization transactions		R&I, JCR, Moody's, S&P

Exposure by Region, Industry, and Remaining Period

As of March 31

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

		Millions of yen					Past due loans for three months or more
		2017					
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total	
Domestic	Agriculture, forestry, fisheries, and mining	—	—	—	—	—	—
	Manufacturing	¥ 200,000	¥ 1,030,687	—	¥ 16	¥ 1,230,704	—
	Utilities, information/communications, and transportation	916,215	4,453,074	—	8,992	5,378,282	—
	Wholesale and retail	109,570	235,396	—	1	344,968	—
	Finance and insurance	74,400,747 (12,164,113)	5,297,254	¥146,441	20,789	79,865,232 (12,164,113)	—
	Construction and real estate	53,083	187,908	—	2	240,994	—
	Services and goods rental/leasing	24,712	519,691	—	76,736	621,140	—
	Central and local governments	3,384,288	74,213,424	—	16,909	77,614,621	—
	Others	5,135,050	5	—	283,746	5,418,802	¥0
	Total	84,223,668 (12,164,113)	85,937,441	146,441	407,194	170,714,745 (12,164,113)	0
Foreign	Sovereigns	—	6,810,919	—	577	6,811,497	—
	Financial institutions	1,395,118	5,599,261	189,427	100	7,183,908	—
	Others	1,506,612	4,728,209	3,051	197	6,238,071	—
	Total	2,901,730	17,138,391	192,478	875	20,233,476	—
Investment trust, etc.		52,318	35,144,534	—	—	35,196,853	—
Grand total		87,177,717 ¥(12,164,113)	¥138,220,367	¥338,919	¥408,070	226,145,075 ¥(12,164,113)	¥0

		Millions of yen					
		2016					
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total	Past due loans for three months or more
Domestic	Agriculture, forestry, fisheries, and mining	—	—	—	—	—	—
	Manufacturing	¥ 239,862	¥ 811,023	—	¥ 5	¥ 1,050,891	—
	Utilities, information/communications, and transportation	1,024,181	4,186,028	—	9,826	5,220,036	—
	Wholesale and retail	114,000	213,634	—	2	327,637	—
	Finance and insurance	71,394,423 (18,680,989)	5,129,094	¥ 38,646	62,167	76,624,331 (18,680,989)	—
	Construction and real estate	15,132	153,186	—	1	168,320	—
	Services and goods rental/leasing	26,983	485,911	—	68,631	581,527	—
	Central and local governments	1,837,574	86,792,641	—	6,062	88,636,279	—
	Others	4,118,240	5	—	275,237	4,393,483	¥0
	Total	78,770,398 (18,680,989)	97,771,525	38,646	421,936	177,002,506 (18,680,989)	0
Foreign	Sovereigns	—	6,336,027	—	580	6,336,607	—
	Financial institutions	1,239,856	6,091,159	104,603	288	7,435,907	—
	Others	1,447,009	4,369,868	165	188	5,817,232	—
	Total	2,686,865	16,797,055	104,768	1,057	19,589,747	—
Investment trust, etc.		—	27,384,429	—	—	27,384,429	—
Grand total		81,457,264 ¥(18,680,989)	¥141,953,010	¥143,415	¥422,993	223,976,683 ¥ (18,680,989)	¥0

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

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

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

4. "Past-due loans for three months or more" means the payment of principal or interest is past due three months or more from the day following the scheduled payment date.

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

6. Excludes intangible fixed assets and investments in own shares that were subject to credit risk asset calculations under the interim measure.

7. Investment trusts and other funds are recorded in investment trust, etc.

As of March 31

Exposure by Time to Maturity

Time to maturity	Millions of yen				
	2017				
	Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	¥ 26,780,587 (12,164,113)	¥ 15,308,379	¥ 26,847	¥ 39,471	¥ 42,155,286 (12,164,113)
> One and ≤ three years	779,317	26,292,657	72,582	36	27,144,594
> Three and ≤ five years	625,463	25,194,671	193,899	30	26,014,064
> Five and ≤ seven years	585,030	24,615,900	45,191	—	25,246,122
> Seven and ≤ ten years	964,815	7,539,844	399	—	8,505,060
Over ten years	271,404	4,122,988	—	—	4,394,392
No designated term	57,118,778	1,390	—	368,531	57,488,700
Investment trust, etc.	52,318	35,144,534	—	—	35,196,853
Total	87,177,717 ¥(12,164,113)	¥138,220,367	¥338,919	¥408,070	226,145,075 ¥ (12,164,113)

Time to maturity	Millions of yen				
	2016				
	Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	¥ 26,884,185 (18,680,989)	¥ 20,541,970	¥ 5,533	¥ 70,112	¥ 47,501,802 (18,680,989)
> One and ≤ three years	1,026,751	27,536,495	62,927	116	28,626,291
> Three and ≤ five years	685,517	26,158,300	72,841	29	26,916,688
> Five and ≤ seven years	309,755	26,152,995	2,036	—	26,464,787
> Seven and ≤ ten years	1,336,136	11,043,425	75	—	12,379,637
Over ten years	451,860	3,134,003	—	—	3,585,864
No designated term	50,763,056	1,390	—	352,735	51,117,181
Investment trust, etc.	—	27,384,429	—	—	27,384,429
Total	81,457,264 ¥(18,680,989)	¥141,953,010	¥143,415	¥422,993	223,976,683 ¥ (18,680,989)

- Notes: 1. Loans, deposits, etc., comprise loans, due from banks, call loans, and off-balance sheet assets other than derivatives. Figures in parentheses are collateral provided (off-balance sheet assets) to the Management Organization for Postal Savings and Postal Life Insurance noted elsewhere.
2. Securities include Japanese Government Bonds, Japanese local government bonds, Japanese corporate bonds, etc.
3. Derivatives comprise such instruments as foreign exchange forward contracts and interest rate swaps, etc.
4. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
5. Excludes intangible fixed assets and investments in own shares that were subject to credit risk asset calculations under the interim measure.
6. Investment trusts and other funds are recorded in investment trust, etc.

Loan Write-Offs by Industry and Counterparty

There were no write-offs of loans during the fiscal years ended March 31, 2017 and 2016.

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

By Region

Balance at the end of the fiscal year

As of March 31

	Millions of yen	
	2017	2016
General reserve for possible loan losses	¥127	¥127
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Changes during the fiscal year

Fiscal years ended March 31

	Millions of yen	
	2017	2016
General reserve for possible loan losses	¥(0)	¥(18)
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Notes: 1. Breakdowns by domestic and overseas amounts are not disclosed as the Bank only booked general reserve for possible loan losses.
2. Since the reserves for possible loan losses noted are those for problem assets disclosed under the Financial Reconstruction Act, they do not match the figures for balance of reserve for possible loan losses and changes during the fiscal year on page 121.

By Industry

Balance at the end of the fiscal year

As of March 31

	Millions of yen	
	2017	2016
General reserve for possible loan losses	¥127	¥127
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Changes during the fiscal year

Fiscal years ended March 31

	Millions of yen	
	2017	2016
General reserve for possible loan losses	¥(0)	¥(18)
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Notes: 1. Breakdowns by industry are not disclosed as the Bank only booked general reserve for possible loan losses.
2. Since the reserves for possible loan losses noted are those for problem assets disclosed under the Financial Reconstruction Act, they do not match the figures for balance of reserve for possible loan losses and changes during the fiscal year on page 121.

Exposure by Risk Weight Classification

As of March 31

Risk weight	Millions of yen			
	2017		2016	
	Rated	Not rated	Rated	Not rated
0%	¥141,079,825	¥34,818,860	¥148,496,814	¥40,824,934
2%	—	399	—	600
4%	—	—	—	—
10%	216,551	5,198,009	40,635	4,293,525
20%	12,325,459	39,790	12,783,353	34,420
35%	—	—	—	—
50%	5,159,639	—	4,695,467	—
75%	—	—	—	—
100%	1,243,485	2,653,003	1,059,558	2,767,084
150%	—	—	29,614	—
250%	135,284	242,026	90,350	156,882
1250%	—	—	—	—
Others	—	—	—	—
Investment trust, etc.	—	35,196,853	—	27,384,429
Total	¥160,160,245	¥78,148,942	¥167,195,794	¥75,461,878

Notes: 1. Ratings are limited to those rated by qualified rating agencies.

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

3. The portion of exposure from assets qualified for credit risk mitigation methods is allocated to risk weight categories after the application of credit risk mitigation methods.

4. Assets subject to transitional arrangements are recorded under the risk-weighted classification where transitional arrangements do not apply.

5. Investment trusts and other funds are recorded in investment trust, etc. The weighted average of risk weights was 71.43% as of March 31, 2017 (compared with 71.05% as of March 31, 2016).

CREDIT RISK MITIGATION METHODS

Outline of Risk Management Policies and Procedures

The Bank applies “credit risk mitigation methods” as stipulated in the Capital Adequacy Notification in calculating its capital adequacy ratio. Credit risk mitigation methods involve taking into consideration the benefits of collateral and guarantees in the calculation of its capital adequacy ratio and can be appropriately applied to eligible financial collateral, the netting of loans against the Bank’s self deposits, and guarantees and credit derivatives.

- **Categories of Eligible Financial Collateral**

Cash, self deposits, and securities are the only types of eligible financial collateral used by the Bank.

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

The Bank uses “the Simple Method” stipulated in the Capital Adequacy Notification when applying eligible financial collateral.

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

- **Outline of Policies and Procedures for the Netting of Loans and Self Deposits and the Types of Transactions and Scope for which Netting Can Be Applied**

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

Currently, there are no such transactions.

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

The major guarantors used by the Bank are the national government, etc., whose risk weights are lower than non-guaranteed debts. The Bank has no credit derivatives subject to risk mitigation methods.

- **Outline of Policies and Procedures for Legally Applying Close-Out Netting Contracts for Derivative Transactions as well as Repurchase Transaction Agreements and the Type and Scope of Transactions to which this Method Is Applied**

The Bank refers to the regulations of each overseas transacting country and takes into account the effect of derivative transactions such as interest rate swaps and currency swaps for which close-out netting agreements have been concluded.

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

The principal credit risk mitigation method utilizes eligible financial collateral secured by cash and self deposits. As a result, there is no concentration of credit and market risk.

Exposure After Applying Credit Risk Mitigation

As of March 31

Item	Millions of yen			
	2017		2016	
	Exposure	%	Exposure	%
Eligible financial collateral	¥36,923,897	90.99	¥41,378,182	90.79
Guarantees	3,655,089	9.00	4,192,827	9.20
Total	¥40,578,986	100.00	¥45,571,010	100.00

Notes: 1. The categories of eligible financial collateral used by the Bank include cash, self deposits, and securities.

2. The major guarantor used by the Bank is the central government, etc. The use of these guarantors lowers risk weights more than non-guaranteed debts.

3. Does not include exposure in funds that include investment trusts, etc.

DERIVATIVE TRANSACTIONS AND LONG-SETTLEMENT TRANSACTIONS

Outline of Risk Management Policies and Procedures

• Policy on Collateral Security and Reserve Calculation and Impact of Additional Collateral Demanded on Deterioration of Credit Quality

The Bank signs, as necessary, credit risk mitigation contracts with counterparties in derivative transactions that involve regular transfers of collateral determined in accordance with replacement costs and the likes. Under these contracts, the Bank must provide the counterparty with additional collateral in the event of deterioration in the Bank's credit quality. However, the impact of the additional collateral is deemed to be minor.

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

• Policy on Credit Limit and Risk Capital Allocation Method

The Bank assigns debtors credit ratings to all derivative transaction counterparties. The Bank sets credit limits based on these ratings and conducts regular monitoring on a daily basis to ensure appropriate management of credit risk. The Bank uses the Current Exposure Method in determining the amount of credit outstanding as part of its credit risk management. This method takes into consideration the market value and price fluctuation risk of derivative transactions.

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

Derivative Transactions and Long-Settlement Transactions

As of March 31

	Millions of yen	
	2017	2016
Gross replacement costs	¥324,921	¥160,465
Gross add-on amounts	245,743	252,755
Gross credit equivalents	570,664	413,221
Currency-related transactions	429,678	378,273
Interest rate-related transactions	140,985	34,935
Long-settlement transactions	—	12
Write-off of credit equivalent amount due to netting (deduction)	231,744	269,793
Net credit equivalents	338,919	143,427
Collateral held	217,350	44,694
Marketable securities	186,935	44,694
Cash	30,415	—
Net credit equivalent amounts (after considering credit risk mitigation benefits due to collateral)	338,919	143,427

Notes: 1. Credit equivalent amounts are calculated using the Current Exposure Method.

2. Derivative transactions and long-settlement transactions are recorded only for transactions that require the calculation of credit equivalent amounts.

3. Does not include exposure in funds that include investment trusts, etc.

4. Gross replacement costs for which reconstruction costs were less than zero are not included.

5. Credit risk mitigation benefits due to collateral are considered in risk weighting, but not in credit equivalent amounts.

6. There are no trades involving credit derivatives subject to calculation of credit equivalent amounts and credit derivatives used for taking into account credit risk mitigation effects.

7. Write-off of credit equivalent amount due to netting is equal to the figure obtained by subtracting credit equivalent amounts prior to credit risk mitigation with collateral from the sum of aggregated gross replacement costs and total gross add-ons.

SECURITIZATION EXPOSURE

Outline of Risk Management Policies and Risk Characteristics

The Bank is exposed to risk associated with securitization as an investor. For the acquisition of securitized instruments, the Bank examines closely the quality of underlying assets, the structure of senior and subordinate rights, and the details of the securitization scheme. In view of these procedures, it assigns ratings to debtors as with other marketable securities and makes acquisitions within the credit limits. Following acquisition, the Bank monitors deterioration in the quality of underlying assets, a change in the composition of underlying assets or other development. Furthermore, credit risks related to securitized instruments are included in the calculation of the credit risk amount, while related interest rate risks are included in the calculation of the market risk amount. In addition, the Bank also recognizes market liquidity risk. The status of market risk, credit risk and market liquidity risk is reported to the Executive Committee and other organizational bodies.

Re-securitization exposure is the same as securitization exposure.

Outline of Establishment and Operation of System Prescribed by Section 4-3 to 4-6, Article 249 of the Public Notices on Capital Adequacy Ratios of Financial Instruments Business Operators

With regards to securitization exposure, the Bank has a system for ascertaining information relating to comprehensive risk characteristics and performance on a timely basis. Specifically, in addition to regularly reviewing ratings assigned to debtors, the Bank reviews ratings assigned to debtors when necessary if there has been deterioration in the quality of underlying assets, a change in the composition of underlying assets or other development that affects a debtor rating.

Re-securitization exposure is the same as securitization exposure.

Policy on Using Securitization Transactions as a Credit Risk Mitigation Method

The Bank does not use securitization transactions as a credit risk mitigation method.

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

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

Type of Securitization Conduit Used for Any Securitization Transactions Related to Third-party Assets Using Securitization Conduits and whether Securitization Exposures Related to such Securitization Transactions Are Held

The Bank does not conduct securitization transactions related to third-party assets using securitization conduits.

Subsidiaries, Affiliates and Other such Entities Holding Securitization Exposures Related to Securitization Transactions Conducted by the Bank

There are no subsidiaries, affiliates or other such entities holding securitization exposures related to securitization transactions conducted by the Bank.

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

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

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

Investments in Securitized Instruments

Securitization Exposure and Breakdown by Type of Main Underlying Assets (Excludes Re-Securitization Exposure)

As of March 31

Type of underlying assets	Millions of yen	
	2017	2016
Mortgage loans	¥347,321	¥325,379
Auto loans	94,576	69,926
Leases	5,322	—
Accounts receivable	1,357	2,038
Corporate loans	263,924 (12,228)	94,575
Others	—	37
Total	¥712,502 (12,228)	¥491,957

Notes: 1. Figures in parentheses show restated off-balance sheet transactions.
2. Excludes securitization exposure included in investment trust, etc.
3. Corporate loan claims are the underlying type of asset in securitization exposure to which the 1,250% risk weight is applied.

Re-Securitization Exposure and Breakdown by Type of Main Underlying Assets

As of March 31

Type of underlying assets	Millions of yen	
	2017	2016
Mortgage loans	¥2,056	¥2,743
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	—	—
Others	—	—
Total	¥2,056	¥2,743

Notes: 1. There are no off-balance sheet transactions.
2. Excludes re-securitization exposure included in investment trust, etc.

Balance by Risk Weight of Securitization Exposure and Amount of Capital Requirements (Excluding Re-Securitization Exposure)

As of March 31

Risk weight	Millions of yen			
	2017		2016	
	Balance	Capital requirements	Balance	Capital requirements
Less than 20%	¥ 94,464	¥ 377	¥ 94,612	¥ 378
20%	605,809	4,846	397,345	3,178
50%	—	—	—	—
100%	—	—	—	—
350%	—	—	—	—
1250%	12,228 (12,228)	6,114 (6,114)	—	—
Total	¥712,502 (12,228)	¥11,338 (6,114)	¥491,957	¥3,557

Notes: 1. Figures in parentheses show restated off-balance sheet transactions.
2. Excludes securitization exposure included in investment trust, etc.
3. Capital requirements are calculated using the following formula: Credit risk-weighted assets x 4%

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

As of March 31

Risk weight	Millions of yen			
	2017		2016	
	Balance	Capital requirements	Balance	Capital requirements
Less than 40%	—	—	—	—
40%	¥2,056	¥32	¥2,743	¥43
100%	—	—	—	—
225%	—	—	—	—
650%	—	—	—	—
1250%	—	—	—	—
Total	¥2,056	¥32	¥2,743	¥43

- Notes: 1. There are no off-balance sheet transactions.
 2. Excludes re-securitization exposure included in investment trust, etc.
 3. There were no credit risk mitigation methods applied to re-securitization exposure.
 4. Capital requirements are calculated using the following formula:
 Credit risk-weighted assets x 4%

Accounting Policy for Securitization Transactions

The Bank complies with the Accounting Standards Board of Japan Statement No. 10, Accounting Standards for Financial Instruments (Business Accounting Council, January 22, 1999), etc., in recognizing the initiation and extinguishment of financial assets and liabilities in securitization transactions and assessing and booking these assets and liabilities.

OPERATIONAL RISK

Outline of Policies and Procedures for Risk Management

See Page 67 (Operational Risk Management).

Method Applied for the Calculation of Operational Risk Equivalent Amounts

The Bank adopts the Basic Indicator Approach stipulated in the Capital Adequacy Notification to calculate operational risk equivalent amounts based on capital adequacy regulations.

INVESTMENTS, STOCK, AND OTHER EXPOSURE IN BANKING BOOK

Outline of Risk Management Policies and Procedures

Among exposures to investments, stocks, and other exposures in the banking book, the Bank manages risk for available-for-sale securities in accordance with Market Risk Management/Market Liquidity Risk Management (Pages 62–63) and Credit Risk Management (Pages 64–67).

The Bank holds no investments in subsidiaries, and manages securities of affiliates appropriately.

1. Balance Sheet Amounts and Fair Values

As of March 31

	Millions of yen			
	2017		2016	
	Balance sheet amount	Fair value	Balance sheet amount	Fair value
Exposure to listed equities, etc.	—	—	—	—
Exposure to investments or equities, etc., other than above	¥1,390	/	¥1,390	/
Total	¥1,390	/	¥1,390	/

Notes: 1. Investments in stocks and other instruments in the banking book include exposures the Bank deems it extremely difficult to determine a fair value given the unavailability of market prices. Consequently, the fair value for these instruments is not provided, in the same way that fair value information on valuation methodology for financial instruments is not provided.

2. The figures in the above table do not include exposure to instruments embedded in investment trust, etc. The same applies below.

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

Fiscal years ended March 31

	Millions of yen	
	2017	2016
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

As of March 31

	Millions of yen	
	2017	2016
Unrealized gains (losses) recognized on the balance sheets but not on the statements of income	—	—

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

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

As of March 31

	Millions of yen	
	2017	2016
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 Risk Management Policies and Procedures

See Pages 62–63 (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 Pages 62–63 (Market Risk Management/Market Liquidity Risk Management).

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

The Bank measures the loss-to-capital ratio under the outlier standard as part of its practice to monitor interest rate risks in its banking book.

As of March 31

	Billions of yen	
	2017	2016
Amount of loss (A)	¥ 961.8	¥ 598.0
Total capital (B)	8,616.9	8,499.3
Loss-to-capital ratio (A)/(B) (%)	11.16	7.03

Notes: 1. The Bank adopts an interest rate shock scenario based on historical interest rate fluctuation data for a five-year observation period with a one-year holding period. Confidence levels of 1% and 99% for interest rate fluctuations are applied in this scenario.
 2. The Bank has applied an internal model to allocate the estimated balance and termination dates of liquid deposits that have remained on deposit in the Bank for a long term without being withdrawn, (so-called "core deposits"), and calculate the interest rate risk amount for them.
 3. According to the "Comprehensive Guidelines for Major Banks, etc." prescribed by the Financial Services Agency (FSA), "Because JAPAN POST BANK is obligated legally to hold a portion of its assets in government bonds and other "safe" assets, the FSA takes this special information into consideration in its oversight of the Bank in terms of the application of the outlier standard."

JAPAN POST GROUP Charter of Corporate Conduct

(1) Earn the trust of customers

- We earn the trust of customers by adopting their perspective and meeting their expectations.
- We protect and manage information strictly so that customers can use our services with peace of mind.
- We fulfill our responsibility to explain our operations by conducting highly transparent business operations and disclosing information in a fair manner.

(2) Observe ethical standards

- We continue to conduct business activities with sincerity by complying with laws, regulations, social standards and internal rules.
- We stand firmly against antisocial forces and organizations that threaten the order and safety of civil society.
- We maintain workplace discipline by clearly defining responsibilities and authority and fairly evaluating performance and results.

(3) Place priority on coexistence

- We actively promote environmental conservation and make a significant contribution to society through business activities.
- We aim for sustainable coexistence by placing importance on maintaining dialogues with diverse stakeholders.
- We respect human rights and provide safe and pleasant workplaces.

(4) Create value

- We will create new convenience for customers and provide them with high-quality services.
- We will create stable value by providing universal services in our three core businesses through the JAPAN POST GROUP network.
- We will utilize teamwork and create corporate value for the JAPAN POST GROUP by promoting mutual understanding and cooperation among employees and encouraging each and every employee to fulfill their roles and responsibilities.

(5) Be a source of change

- We will apply technological innovation and continually make innovative changes internally to provide stable services to our customers.
- We exercise our creativity from a broad viewpoint and lofty perspective to promote the Group's development.
- We aggressively take on the challenge of conducting global business activities.

Corporate Information

(As of March 31, 2017)

Corporate Data

Corporate name:	JAPAN POST BANK Co., Ltd.
Date of establishment:	September 1, 2006
Director, President and Representative Executive Officer:	Norito Ikeda
Address of head office:	1-3-2 Kasumigaseki, Chiyoda-ku, Tokyo 100-8798, Japan
Total assets:	¥ 209,568,820 million
Total net assets:	¥ 11,780,037 million
Capital:	¥ 3,500,000 million
Number of employees*:	12,965

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

Number of Shares

Total number of authorized shares:	18,000,000 thousand shares
Total number of outstanding shares:	3,749,475 thousand shares (excluding 750,524 thousand shares of treasury stock)
Total number of shareholders:	541,860

Note: The treasury stock does not include the Bank's shares held by the board benefit trust (323 thousand shares).

Overseas Representative Offices

London Representative Office

7th Floor Milton Gate, 60 Chiswell Street, London EC1Y 4SA, United Kingdom

Hong Kong Representative Office*

Unit 805, 8/F, Two Harbourfront, 22 Tak Fung Street, Hunghom, Kowloon, Hong Kong

* The Hong Kong Representative Office relocated to the address identified above from July 28, 2017.

Major Shareholders

	Name of shareholder	Number of shares held (shares)	Ratio of number of shares held against total number of shares issued (%)
1	JAPAN POST HOLDINGS Co., Ltd.	3,337,032,700	74.15
2	Japan Trustee Services Bank, Ltd. (Trust Account)	21,617,900	0.48
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	15,971,600	0.35
4	Japan Trustee Services Bank, Ltd. (Trust Account 5)	10,269,500	0.22
5	Japan Trustee Services Bank, Ltd. (Trust Account 1)	7,740,500	0.17
6	Japan Trustee Services Bank, Ltd. (Trust Account 2)	7,533,700	0.16
7	Japan Trustee Services Bank, Ltd. (Trust Account 9)	7,405,900	0.16
8	Japan Post Bank Employee Shareholding Association	6,395,700	0.14
9	STATE STREET BANK WEST CLIENT - TREATY 505234	5,920,580	0.13
10	JP MORGAN CHASE BANK 385151	5,101,596	0.11

Notes:

1. The company holds 750,524,950 shares (the ratio of number of shares held against total number of shares issued is 16.67%) of treasury stock, which are not included in the above list of major shareholders.
2. The ratio of number of shares held against total number of shares issued has been rounded down to the second decimal place.

Affiliated companies

Name/ Location	Issued capital (millions of yen)	Main business	Date of Establishment	Holding as percentage(%)
SDP CENTER Co., Ltd. Triton Square Tower X 43F, 8-10, Harumi 1-chome, Chuo-ku, Tokyo	2,000	Clerical agency services	May 28, 1980	45.00
ATM Japan Business Service, Ltd. 30-5, Hamamatsucho 1-chome, Minato-ku, Tokyo	100	Management of ATMs, for example cash loading and withdrawal	August 30, 2012	35.00
JP Asset Management Co., Ltd. 5-11, Nihonbashihoncho 1-chome, Chuo-ku, Tokyo	500	Investment management and type II financial instruments business	August 18, 2015	45.00

Website

Corporate overview of the Bank together with press releases, financial, IR and other information.



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



JAPAN POST BANK Co., Ltd.

1-3-2 Kasumigaseki, Chiyoda-ku, Tokyo 100-8798, Japan

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