2013

JAPAN POST BANK Annual Report

Year ended March 31, 2013

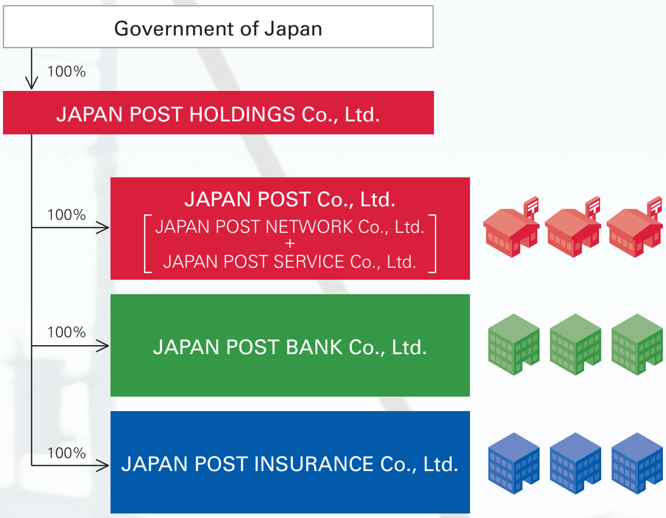
JAPAN POST BANK

PROFILE

As a member of the JAPAN POST GROUP, JAPAN POST BANK offers financial services for mainly individuals through a network comprising 234 branches and about 24,000 post offices across the country. Since our establishment as a public institution more than 130 years ago, we have strived to implement a management philosophy of being “*the most accessible and trustworthy Bank in Japan*.” The trust we have earned from customers is underscored by our deposits, which exceed ¥176 trillion. This level of deposits gives us the dominant number one share in Japan and places us among the top banks worldwide.

JAPAN POST GROUP

As of July 1, 2013



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Cautionary Statement

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

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

HISTORY

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

A postal deposit passbook circa 1875

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

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

1880
Started postal money order service for overseas remittances.

1906
Began money transfers between postal savings accounts nationwide.

1870 1880 1890 1900 1910 1920 1930 1940

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

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

Origins

Hisoka Maejima

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

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

Before the Second World War

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

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

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

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

1950 1960 1970 1980 1990 2000 2010 2020

1981
ATM services were first offered.

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

2008
Credit card services began.

After the Second World War

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

Over that period, postal savings were deposited with the Ministry of Finance and then used for a variety of national investment and loan programs. Through these programs, postal savings were used as financing for the construction of expressways, airports and other major national projects that require vast sums of capital. Postal savings were also made available as operating funds for small and medium-sized companies; and as funds for the construction of housing for the Japanese people, greatly assisting with the development of corporations and the betterment of people's lives. All of these uses of postal savings contributed to the development of Japan's post-war economy. The Japanese people became more affluent. This, in turn, resulted in further increases in the amount of savings. Consequently, a virtuous cycle was started, with the growth in savings leading to further increases in the amount of investment in social development. In this way, postal savings increased in tandem with Japan's post-war economic growth.

Steps to Privatization

As Japan's economy matured, the role of national investments and loans began to decline gradually, and in April 2001, the government stopped using postal savings to fund national investments and loans. In January 2001, the Japanese government reorganized its ministries and agencies, resulting in the birth of the new Postal Services Agency. Since April 2001, the agency has expanded independent investment of postal savings.

In 2003, the government reorganized the Postal Services Agency into JAPAN POST (Nippon Yusei Kosha), and subsequently, in October 2005, the government formulated the Postal Service Privatization Act.

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

On May 8, 2012, the "Act for Partial Revision of the Postal Service Privatization Act and others*" was promulgated.

* Please refer to page 9 for a discussion on the impact of this amendment.

FINANCIAL HIGHLIGHTS

Statements of Income

Years ended March 31	Millions of yen 2013	2012	2011	2010	2009	Thousands of U.S. dollars 2013
Gross operating profit:	**¥1,624,329**	¥1,670,002	¥1,718,949	¥1,710,447	¥1,746,765	**$17,270,917**
Net interest income	**1,532,152**	1,677,349	1,686,472	1,621,305	1,655,330	**16,290,830**
Net fees and commissions	**88,126**	88,460	87,990	86,162	91,096	**937,017**
Net other operating income (loss)	**4,050**	(95,806)	(55,514)	2,979	338	**43,069**
General and administrative expenses (excluding non-recurring losses)*1	**1,111,521**	1,174,532	1,210,195	1,221,290	1,266,162	**11,818,405**
Operating profit (before provision for general reserve for possible loan losses)	**512,808**	495,470	508,753	489,157	480,602	**5,452,512**
Net ordinary income	**593,535**	576,215	526,550	494,252	385,243	**6,310,853**
Net income	**373,948**	334,850	316,329	296,758	229,363	**3,976,057**

Balance Sheets

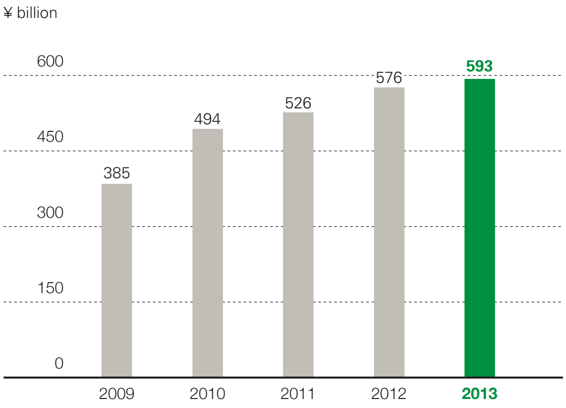
As of March 31	Millions of yen 2013	2012	2011	2010	2009	Thousands of U.S. dollars 2013
Total assets:	**¥199,840,681**	¥195,819,898	¥193,443,350	¥194,678,352	¥196,480,796	**$2,124,834,470**
Securities	**171,596,578**	175,953,292	175,026,411	178,230,687	173,551,137	**1,824,525,024**
Loans	**3,967,999**	4,134,547	4,238,772	4,022,547	4,031,587	**42,190,314**
Total liabilities:	**188,843,123**	186,001,735	184,349,715	185,838,804	188,301,222	**2,007,901,366**
Deposits	**176,096,136**	175,635,370	174,653,220	175,797,715	177,479,840	**1,872,367,209**
Net assets	**10,997,558**	9,818,162	9,093,634	8,839,547	8,179,574	**116,933,103**

Key Indicators and Others

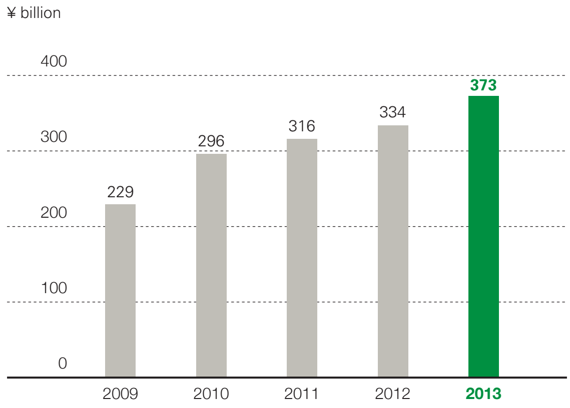
Years ended March 31	2013	2012	2011	2010	2009
Net income to assets (ROA)*2	**0.18%**	0.17%	0.16%	0.15%	0.11%
Net income to equity (ROE)*3	**3.59%**	3.54%	3.52%	3.48%	2.82%
Expense-to-deposit ratio*4	**0.63%**	0.66%	0.68%	0.68%	0.70%
Capital adequacy ratio (non-consolidated, domestic standard)*5	**66.04%**	68.39%	74.82%	91.62%	92.09%
Tier I capital ratio	**66.03%**	68.39%	74.81%	91.61%	92.08%
Number of employees*6	**12,922**	12,796	12,351	12,060	11,675
Number of outlets	**24,215**	24,249	24,248	24,185	24,086
Number of ATMs	**26,669**	26,557	26,331	26,191	26,136

Notes: 1. General and administrative expenses exclude employees' retirement benefits (non-recurring losses) and others.
2. ROA = Net income / [(sum of total assets at the beginning and the end of the fiscal year) / 2] x 100
3. ROE = Net income / [(sum of total net assets at the beginning and the end of the fiscal year) / 2] x 100
4. Expense-to-deposit ratio = [general and administrative expenses / average deposit balances] x 100
5. Capital adequacy ratio (non-consolidated, domestic standard) is calculated based on standards stipulated by Article 14-2 of the Banking 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). JAPAN POST BANK adheres to capital adequacy standards applicable in Japan.
6. 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 short-term contract and part-time employees.
7. The U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been translated at the rate of ¥94.05 to US$1.00.

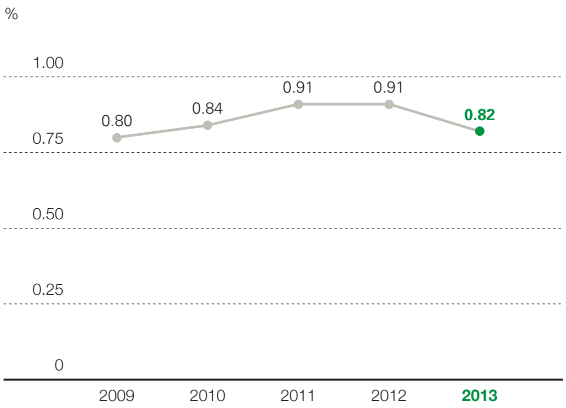
Net Ordinary Income



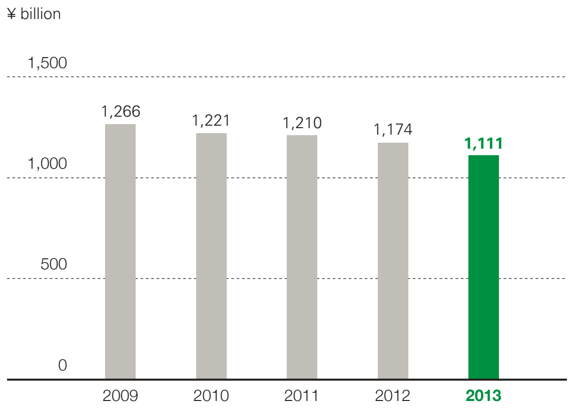
Net Income



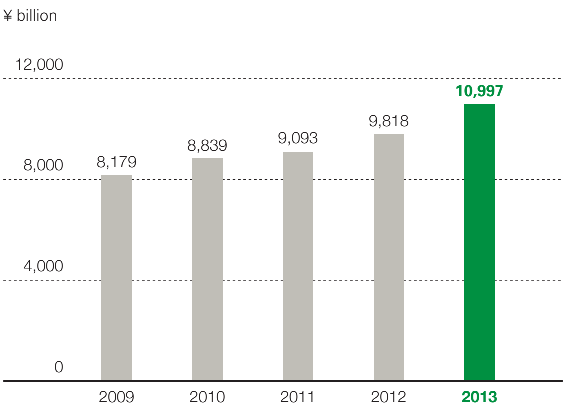
Net Interest Spread (Gross Margin)



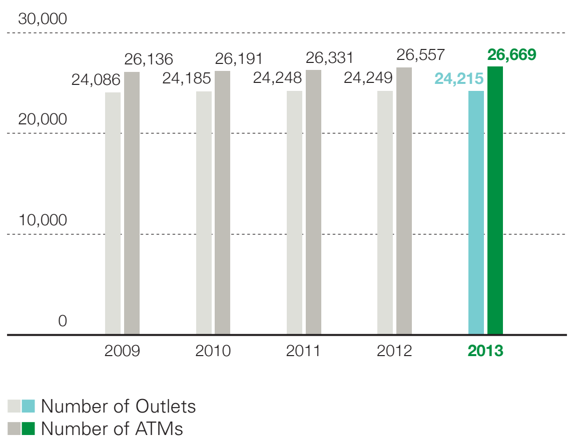
General and Administrative Expenses



Net Assets



Number of Outlets / Number of ATMs



MESSAGE FROM THE PRESIDENT & CEO

It is my pleasure to address all stakeholders in this message.

October 2012 saw the birth of the new JAPAN POST GROUP following a group reorganization.

As a member of "an integrated lifestyle-support corporate group" that helps the lives of each and every customer, JAPAN POST BANK will work hard to provide reliable financial services as the most accessible bank in Japan for customers in every region through the post-office network.

Economic Environment and Business Performance in the Fiscal Year Ended March 2013

The global economy's expansion continued to slow in the year ended March 31, 2013. While the U.S. economy continued to experience moderate growth, mainly in the household sector, the European economy saw negative growth result from the drawn-out sovereign debt problem. Moreover, the Chinese economy could only post single-digit growth for the second straight year as its economic growth rate dropped.

Meanwhile, Japan's economy temporarily saw negative growth due to the global economic slowdown, waning benefits of government policy, lower exports to China and other factors. However, the economy ended up recording positive growth on the back of such factors as demand related to recovery from the Great East Japan Earthquake and an upturn in consumer spending.

The financial and capital markets saw Japan's domestic long-term interest rates remain low, against the backdrop of risk-off moves and anticipation the Bank of Japan would step up quantitative easing, among other factors. Foreign exchange and stock markets saw the yen's appreciation and falling stock prices, respectively, continue amid the slowing global economy and other factors. However, market conditions reversed on November 14 when it was announced that the Japanese parliament's lower house would be dissolved, with resulting anticipation for an economic recovery under a new government bringing about the yen's sharp depreciation and a stock price upsurge.

Under these economic circumstances, I am pleased to report that the Bank worked positively to secure stable earnings by broadening our investment categories and reducing costs. As a result, we successfully earned net income of ¥373.9 billion for the year ended March 31, 2013.

Initiatives in the Fiscal Year Ended March 2013

During the past fiscal year, we made steady progress strengthening our business base by pushing on with the following measures under the rigorous policy of "Compliance First."

On the marketing front, through cooperation with the approximately 24,000 post offices of JAPAN POST Co., Ltd. and a nationwide network, we catered to the various financial needs of customers according to their life stage, and at the same time worked to enhance our profit base.

In particular, we focused on expanding the use of our services by young customers and other new customers, and on reinforcing relationships with existing customers. We implemented measures to respond to customer needs. These included installing new and additional ATMs, extending ATM operating hours, and offering more designs for account passbooks.

In terms of investment, we continued to diversify our investment categories, business risk and revenue sources. This was based on appropriate control of risk by improving the sophistication of asset-liability management (ALM). At the same time, we worked to strengthen risk management and credit assessment systems.

We positioned the development of human resources as one of our most important management themes. Consistent with this, we enhanced frontline training by region, as well as ran training programs for new recruits, managers and other positions in the organization and in specialist fields. Additionally, we further developed on-the-job training (OJT).

Moreover, to ensure our customers' trust and confidence in doing business with us, we strengthened compliance and the management and protection of customer assets and information. We also sought to enhance our internal controls, including refining our crisis management system so we are prepared for a major natural disaster. And we upgraded systems and advanced 'Business Process Re-engineering' (BPR), in an effort to enhance productivity and reduce costs.

Initiatives and Issues in the Fiscal Year Ending March 2014

Looking at political and economic circumstances and financial market trends in Japan and overseas, the business environment for financial institutions is not entirely positive. In order to overcome these difficult conditions and ensure we meet customer needs, we will work on the following themes to strengthen our business base in the year ending March 31, 2014, in accordance with three basic policies: emphasize the public service and region-focused nature of our operations; respond to various financial needs of customers; and secure stable income.

Sales Strategies

We will strive to increase deposits, expand fee-based businesses, and strengthen remittance and settlement services for corporations, with the aim of responding to various financial needs according to the life stage of customers and enhancing customer satisfaction. Moreover, with an eye on the future, we intend to enhance pension beneficiary services, Internet sales channels and asset management products and other areas, as we work to develop our business base.

ALM Strategy

We will adroitly manage risk across our entire portfolio according to the market environment, while keeping a watchful eye on the European sovereign debt problem and other developments. We will also work positively to secure more stable earnings through the broadening of investment categories and improving the sophistication of asset-liability management (ALM). In accordance with this, we will focus on putting in place improved credit assessment and risk management systems by strengthening foreign currency procurement and portfolio management systems, and improving the sophistication of credit evaluation and monitoring.

Management Approaches

A key theme for us in the year ending March 31, 2014 is to develop human resources and strategically assign them. We will also strive to foster a sense of Group unity through personnel exchanges across the JAPAN POST GROUP. Concurrently, we will implement BPR across the Bank in order to effectively utilize systems, improve work efficiency, raise productivity and increase profits.

Internal Control Procedures

Under the rigorous policy "Compliance First," we will steadily forge ahead with our business improvement plan submitted to the Financial Services Agency, and at the same time endeavor to further raise compliance awareness and enhance control procedures, including safeguarding customers, in cooperation with JAPAN POST Co., Ltd. And we will garner the trust and confidence of customers even more by also enhancing administrative quality.

A Member of the New JAPAN POST GROUP

In October 2012, JAPAN POST SERVICE Co., Ltd. and JAPAN POST NETWORK Co., Ltd. were merged to form JAPAN POST Co., Ltd. due to enforcement of "Act for Partial Revision of Postal Service Privatization Act and Others." As a result of this, the JAPAN POST GROUP has made a fresh start by restructuring from a 5-company to a 4-company structure.

The new JAPAN POST GROUP has embarked on a journey to become "an integrated lifestyle-support corporate group." As a member of the JAPAN POST GROUP, the Bank will seek to capture synergies by fostering closer cooperation with JAPAN POST Co., Ltd., and harnessing the JAPAN POST GROUP's collective strengths.

While demonstrating strong leadership, we, the top management, will vigorously continue working together with our staff to be "No. 1 in customer satisfaction" and to build up "the most accessible and trustworthy Bank in Japan," and to realize sustainable growth for the years ahead.

July 2013

Y. Izawa

Yoshiyuki Izawa
President & CEO

REORGANIZATION OF THE JAPAN POST GROUP

On October 1, 2012, JAPAN POST SERVICE Co., Ltd. and JAPAN POST NETWORK Co., Ltd. were merged to form JAPAN POST Co., Ltd.

As a result of the Group's reorganization, the JAPAN POST GROUP has made a fresh start by restructuring from a 5-company to a 4-company structure. As before, the JAPAN POST GROUP will continue to provide postal, basic banking and insurance services at post offices nationwide.

Main Points of the Group's Reorganization

As a result of the Group's reorganization, the Group has put in place a structure to provide even better services to customers. The main points of the Group's new structure are as follows:

Providing Postal, Basic Banking and Insurance Services to All Customers

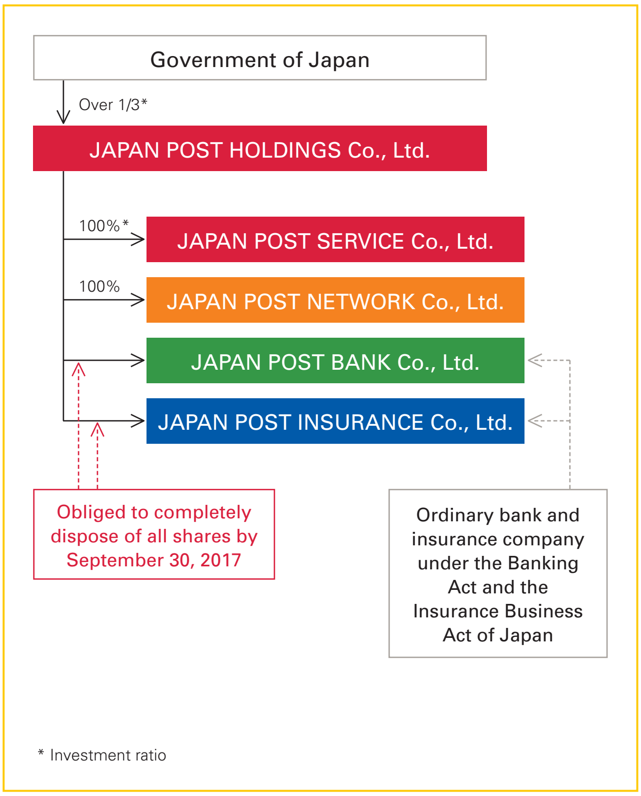
The JAPAN POST GROUP will provide basic services in its three core businesses of postal, banking and insurance services nationwide as "an integrated lifestyle-support corporate group." In the process, the Group will remain closely rooted in every customer's daily life. The Group's services will be provided at post offices, which serve as the hub for the Group's businesses.

Towards Enhanced Corporate Value

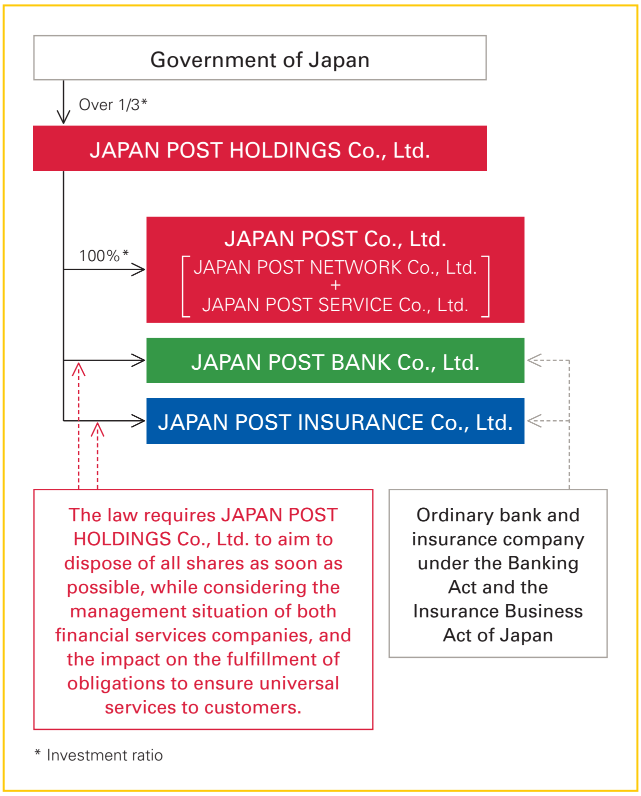
With the Group's reorganization, JAPAN POST HOLDINGS Co., Ltd. will now aim for a near-term stock listing. The listing of JAPAN POST HOLDINGS Co., Ltd. will carry the same significance as a stock listing of the entire Group. To achieve this near-term stock listing, the Group will continue working to establish sound operating platforms, and to provide appealing products and services, as it endeavors to further enhance its corporate value.

Group Reorganization Following Enforcement of "Act for Partial Revision of the Postal Service Privatization Act and Others"

Before Amendment
(Came into force on October 1, 2007)



After Amendment
(Came into force on October 1, 2012)



JAPAN POST GROUP VISION 2021

Development of the JAPAN POST GROUP: Toward Our 150th Anniversary

Following the enactment on April 27, 2012 of the "Act for Partial Revision of the Postal Service Privatization Act and Others," a new JAPAN POST GROUP was created on October 1, 2012. We have announced a new Group vision for 2021, the year marking our 150th anniversary. It provides a roadmap for improvements the new Group should implement while articulating the Group's aspirations for the future.

(* Figures on this page are as of March 31, 2012)

Large Growth Potential

Leading player in its fields

Deposits: ¥176.4 tn
Insurance total assets: ¥93.6 tn
Real estate (book value): ¥2.4 tn
Postal deliveries: 19.1 bn items

Nationwide network

24,514 post offices
440,000 employees

Extensive Network and Reliable Brand

Nationwide post-office and delivery networks

Extensive branch network, sales personnel, and delivery network reaching all households nationwide

Trusted by local community and business

Offering services tailored to local needs

Post Office brand built over 140 years

Challenging Environment

Shrinking core businesses

Postal deliveries: –23.2%
Deposits: –23.9%
Insurance policies in force: –43.0%
(All declines since fiscal 2003)

New business restricted

Continued low interest rates

Create a New JAPAN POST GROUP Leveraging the Revised Postal Service Privatization Act, Etc.

1. Company integration
- Speed up decision making by unifying the chains of command
- Integrate post offices and branches to provide the services of the three businesses in a unified manner
- Streamline back offices to improve efficiency

2. Mandated universal services
- Revitalize post offices to offer postal and financial services in an integrated fashion

3. Listing needed to finance earthquake reconstruction
- With the aim to list the holding and two financial companies, enhance Group value by strengthening operating platforms for the three existing businesses and developing new operations

Three Improvements

Development of the new JAPAN POST GROUP with post offices as its hubs

Create a network of efficient, functional post offices that meet customer needs and serve as hubs offering safety, security, reliability, and convenience (Offering universal services with a commitment to local communities and public interests)

1. Service Improvement:

Become an integrated lifestyle-support corporate group

Make a concerted effort across the Group to provide products and services for different lifestyles and life cycles through various channels

2. Managerial Improvement:

Revitalize the nationwide post-office network

Transform the former public corporation into a competitive and profitable private entity while maintaining the public-service nature of post offices

3. Culture Improvement:

Create a new corporate culture for Japan Post

Create a rewarding workplace by supporting employees as they rise to the challenge of change

Business Development Initiatives

Postal Business

Use logistics excellence to compensate for the IT-driven decline in demand for mail service and maintain universal services

- (1) Secure the competitiveness of parcel deliveries → Share the network with postal service
- (2) Achieve growth in postal service → Expand direct mail use and offer new IT-based services
- (3) Improve productivity → Restructure networks, Improve front-line management methods
- (4) Develop new businesses → Promote effective use of post office space

Ensure stable operations by generating profits for FY2012 and making parcel services profitable by FY2015

Banking Business

- (1) Serve public interests and address local needs → Contribute to convenient living by offering universal services → Retain regional deposits in the local economy and society
- (2) Tailor services to customers' individual needs → Offer products that meet the needs of customers at different life stages
- (3) Maintain stable profits → Enhance profitability by expanding operations

Become the most friendly financial-service provider to local customers by leveraging the post-office network

Insurance Business

- (1) Respond to the diverse insurance needs of an aging society → Improve tuition insurance and other existing products → Broaden the lineup of mortality and medical coverage
- (2) Build systems enabling speedy and accurate operations from underwriting to payment → Develop productive offices and systems
- (3) Maintain a sound management base → Build advanced risk management systems → Strengthen asset management expertise as an institutional investor

Shift to a growth path to steadily provide universal services through post offices

New Business

- (1) Develop operations using the post-office network → Expand catalogue-sales products and diversify sales channels → Increase lifestyle-related services intermediated by and items sold at post offices
- (2) Enhance real estate businesses → Expand office leasing, residential unit sales, and other real estate related businesses
- (3) Strengthen international operations → Market overseas merchandise → Provide post-office operation know-how

Take full advantage of the Group's underlying ability to diversify revenue streams

Regional, Social Contribution

- (1) Provide universal services through the post-office network
- (2) Develop regionally based services → Offer neighborhood watch and shopping support services for the elderly → Provide one-stop pubic administration services
- (3) Contribute to regional development → Collaborate with local companies for catalogue sales and other businesses
- (4) Promote environmentally friendly operations with proactive corporate social responsibility (CSR) efforts

Contribute to and grow together with local communities and society by forging close ties

Three Improvements: Refine, Expand, and Connect

The three improvements comprising service, managerial and culture improvements will be taken to the next level based on three themes: refine, expand and connect. Examples of specific measures are as follows:

	Refine
1. Service Improvement Become an integrated lifestyle-support corporate group	**Improve products and services to make the post office more customer-friendly** • Expand products sold through catalogues (such as Furusato [hometown] parcel service) and increase items sold at or lifestyle-related services intermediated by post offices • Enhance services provided through ATMs, the Internet, and mobile phones to offer greater customer convenience • Develop tuition insurance that offers peace of mind at affordable cost • Improve services at Teishin Hospitals and Kanpo no yado inns (e.g. upgrade medical treatment and check-up services and improve web functions)
2. Managerial Improvement Revitalize the nationwide post-office network	**Revitalize the post-office network: Deepen area management and enhance business administration** • Restructure the postal network and improve the efficiency of collection and delivery systems • Promote autonomous, efficiently managed post offices (innovations, personnel and profit/loss management, etc., at the office and area level) • Design personnel policies and a salary structure to motivate employees • Upgrade and streamline the post-office network using information and communications technologies
3. Culture Improvement Create a new corporate culture for Japan Post	**Refine Japan Post DNA to serve customers and communities** • Do away with institutional sectionalism and create a customer-oriented culture while maintaining the original mission and pride of postal operations • Thoroughly implement and share customer-oriented approaches (proactively incorporate customer opinions to refine services) • Develop a workplace where employees are able to have a sense of purpose and fulfillment (provide opportunities to improve skills)

Expand

Develop new businesses and services that meet customer needs

- Expand shopping support services for the elderly
- Develop local neighborhood watch services
- Launch new operations using post offices and other spaces
- Develop loans with broader customer appeal (home mortgages, card, and education loans)
- Offer new insurance products for illness and accidents
- Enhance real estate businesses

Pursue new Group opportunities

- Broaden revenue streams by promoting new business development, investment, and tie-ups
- Diversify employment systems, e.g., by introducing new full-time positions
- Revitalize personnel rotations
- Effectively invest in systems to create new services and improve business efficiencies

Help Group employees develop their maximum potential

- Train employees to be autonomous and to constantly take on new challenges with creativity
- Improve personnel career paths
- Develop programs to heighten employees' motivation (e.g., introduce programs to help employees obtain qualifications, study abroad, and launch internal ventures)

Connect

Expand customer contact:
Improve services by adopting advanced technologies and collaborating with corporations inside and outside the Group

- Improve relocation services
- Expand postal tie-ups with e-commerce businesses (parcel deliveries for auction users, etc.)
- Offer advanced services using videotelephony
- Provide insurance products through third-party tie-ups (entrustment, consignment, and reinsurance)
- Expand one-stop services for public administration

Introduce integral Group management with post offices as its hubs

- Strengthen communication with employees
- Implement personnel exchange across the Group
- Introduce Group recruitment of new graduates as generalists
- Boost CSR efforts with consideration for the community and the environment

Unify the hearts and minds of Group employees

- Share and increase understanding of the Group's management philosophy, top message, and vision
- Form a 100-person project reflecting the proposals and opinions of the workplace
- Establish a system for promoting Group-wide culture improvements, and increase a sense of belonging and nurture a sense of loyalty to the Group

* The services described above include those requiring regulatory approval.

Three Stages of Improvement (2012–21): Establish, Grow, and Develop

"JAPAN POST GROUP Vision 2021" is a roadmap for becoming the company we aspire to be by 2021, the year marking our 150th anniversary.

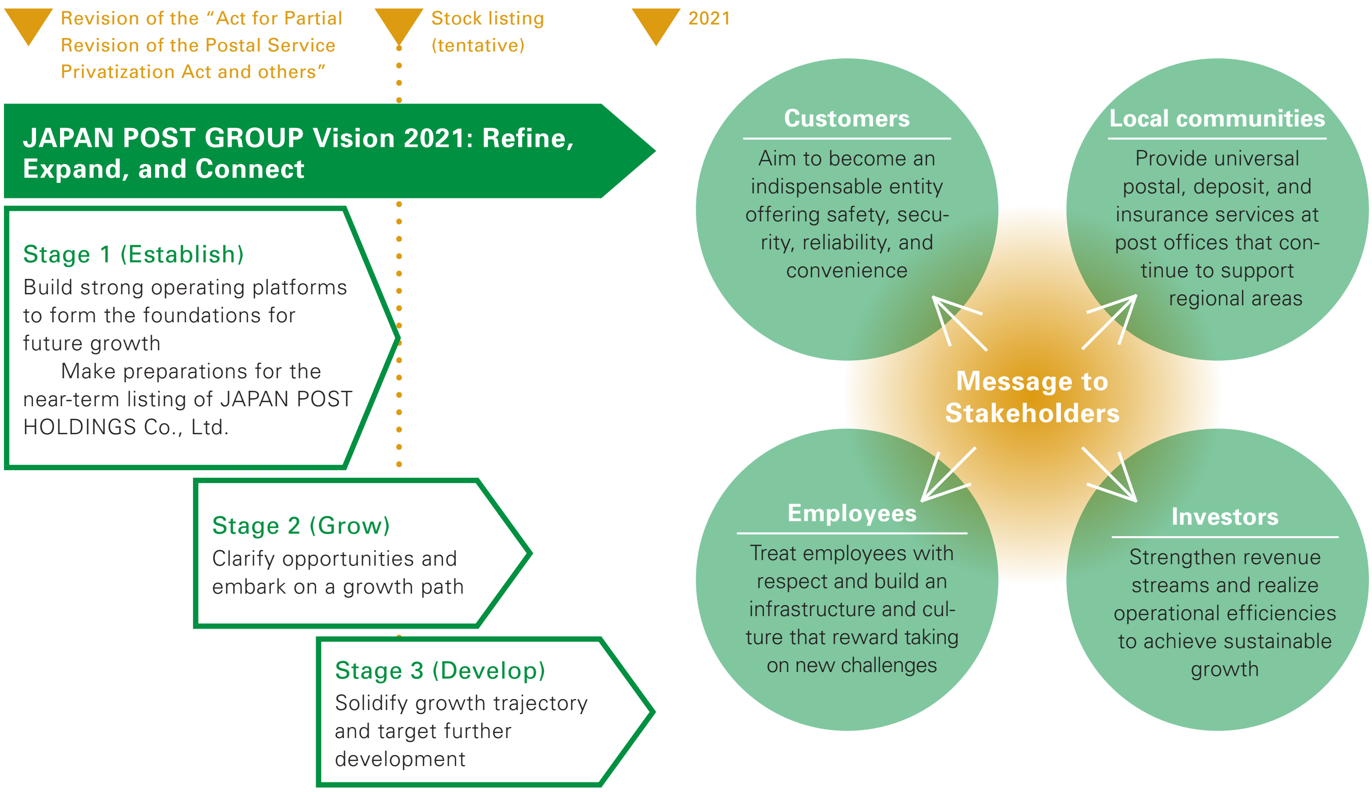
Improvements will be carried out in three stages to ensure that we achieve our goals.

Stage 1 (Establish): With revision of the Postal Service Privatization Act, we will establish strong operating platforms and build the foundations for future growth. Measures include changing the mindset of employees, creating a sense of unity and encouraging tie-ups within the Group, invigorating the post-office network, streamlining existing businesses, strengthening internal controls, developing new products and services, and launching new businesses.

We will also prepare for the near-term stock listing of JAPAN POST HOLDINGS Co.,Ltd.

Stage 2 (Grow): The Group's growth opportunities will be clarified and aggressively pursued. With the aim of winning the full confidence and support of investors, profitability for existing businesses will be improved and strategic investment in new fields initiated in Stage 1 will be continued to diversify revenue streams by developing new products, services, and businesses.

Stage 3 (Develop): The JAPAN POST GROUP will develop itself even more by advancing further the growth initiatives promoted in Stage 2 and securing the Group's growth path.



Aim for a Near-Term Stock Listing

- As funds raised from listing JAPAN POST HOLDINGS Co., Ltd. will be used to redeem reconstruction bonds issued after the Great East Japan Earthquake, a "near-term listing" at "maximum equity value" is desired.
- While strengthening corporate governance, compliance, and management practices, a growth strategy must be implemented by improving our three existing businesses, making strategic investments, and moving into new areas. We aim to become a corporate group highly valued by investors.
- The JAPAN POST GROUP is obligated to realize the near-term listing of JAPAN POST HOLDINGS Co., Ltd. at maximum equity value. We will consistently carry out the three improvements described in "JAPAN POST GROUP Vision 2021" to achieve these goals.

SPECIAL FEATURE

Our Value

The Bank has built up a deposit base of **¥176 trillion ($1,872 billion)** through historical concerted efforts spanning its 130-plus years—a testament to three forms of value: “Accessible,” “Trustworthy,” and “Proactive.” Looking ahead, the Bank remains committed to providing these three forms of value to its customers, with the aim of achieving sustainable growth into the future.

Accessible

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

Proactive

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

Trustworthy

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

Accessible

We aim to continue offering accessibility to financial services.

An Expansive and Accessible Network

As of March 31, 2013, the Bank had a total of 24,215 outlets (234 branches and 23,981 post offices) as well as 26,669 ATMs nationwide. The Bank thus has a wide and concentrated nationwide outlet network. This network is the wellspring of the value the Bank provides. It offers unrivalled accessibility, which is one of the major reasons customers choose to bank with us.

Japan

Number of Domestic Outlets (As of March 31, 2013)

234 Branches
+
23,981 Post Offices

784 Outlets
Average of Japan's Mega Banks
(As of September 30, 2012)

Number of Domestic ATMs

26,669 ATMs
(As of March 31, 2013)

25,905 CD·ATMs
Total Number of CD·ATMs for Six Major City Banks
(As of September 30, 2012)

Notes: 1. Outlets = Branches + post offices
2. Japan's Mega Banks: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, and Mizuho Bank, Ltd.
3. JAPAN POST BANK had 26,633 ATMs as of September 30, 2012.
Sources: Created from published materials from each company.
Japan Bankers Association official web site

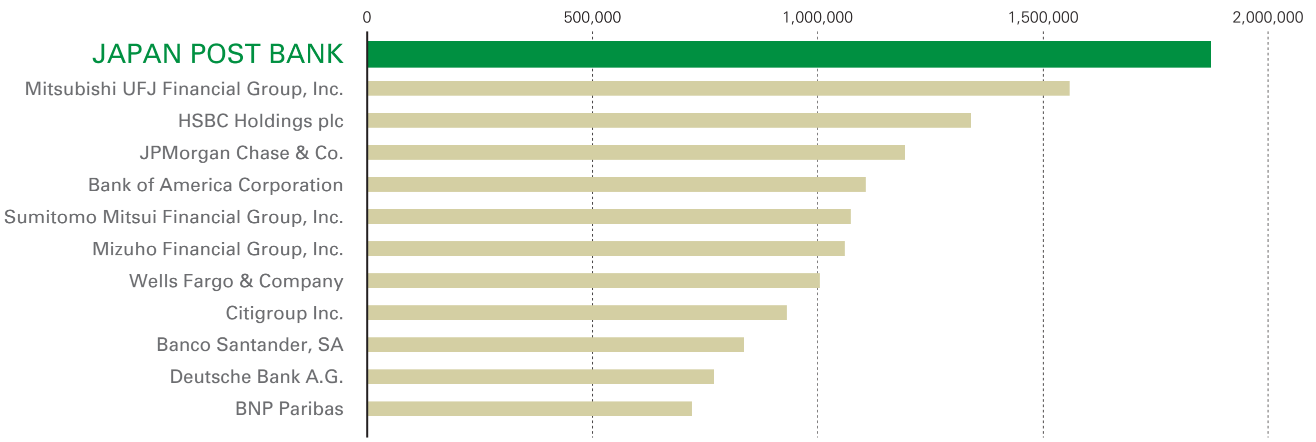
Trustworthy

We aim to be the most trustworthy bank.

Massive Deposit Base

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

■ Total Deposits of Major Banks Around the World



Note: Japanese banks as of March 31, 2013, others as of December 31, 2012. Calculated based on foreign exchange rates as of the respective fiscal year-end.
Source: Created from published materials

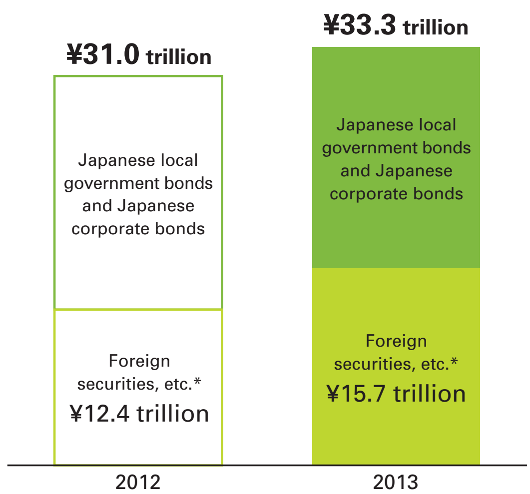
Proactive

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

Building an Even Stronger Earnings Structure

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

■ Balance of Securities Excluding JGBs
As of March 31



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

CORPORATE GOVERNANCE

JAPAN POST BANK has adopted the company with committees system of corporate governance in order to implement rapid decision-making and to increase management transparency. Accordingly, the Bank has established the Nomination Committee, the Audit Committee, and the Compensation Committee. In this way, the Bank has a system under which the Board of Directors and the three statutory committees can provide appropriate oversight of management.

Board of Directors and Three Statutory Committees

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

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

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

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

The Representative Executive Officer (President & CEO) makes full use of the authority and responsibility delegated to him by the Board of Directors in the conduct of business operations.

The Executive Committee and the Internal Control Committee have been established as advisory bodies to the Representative Executive Officer (President & CEO). The Executive Committee holds discussions on important business execution matters, and the Internal Control Committee holds discussions on legal, regulatory, and other compliance-related issues as well as other important internal control matters. The Compliance Committee, the Risk Management Committee, the Asset Liability Management (ALM) Committee, and the Corporate Social Responsibility (CSR) Committee assist the Executive Committee in matters requiring specialized discussions. Furthermore, the Executive Officer Meeting, which is comprised of all Executive Officers, discusses various management issues.

Roles of the Special Committees

Compliance Committee

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

Risk Management Committee

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

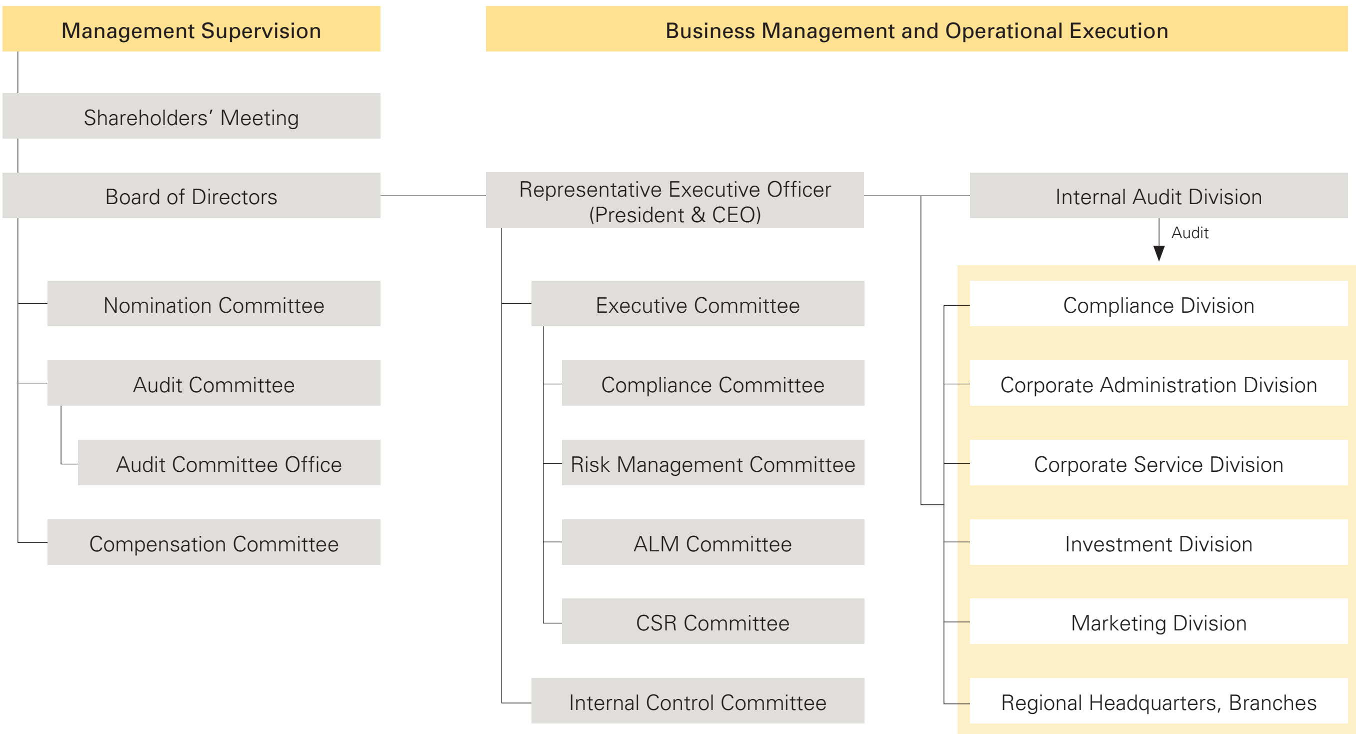
ALM Committee

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

CSR Committee

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

Governance System



INTERNAL AUDITING

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

The Internal Audit Division conducts audits of the head office divisions (including overseas representative offices), Regional Headquarters, Branches, Administration Service Centers, Operation Support Centers, Seal Card Management Center, 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 Co., Ltd., 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 Representative Executive Officer (President & CEO), the Executive Committee, and the Audit Committee.

RISK MANAGEMENT

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

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

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

Risk Categories and Definitions

We broadly classify and define risks into the following categories, and manage the risks according to their characteristics.

Risk Category	Risk Definition
Market risk	Risk associated with fluctuations in market conditions, such as interest rates, foreign exchange rates, and stock prices. The risk of losses arising from fluctuations in the values of assets and liabilities (including off-balance-sheet items) and the risk of losses arising from fluctuations in revenues and profits generated by assets and liabilities.
Market liquidity risk	The risk of losses arising from market disruptions that result in us being unable to conclude market transactions or having no choice but to conclude transactions at prices that are substantially worse than normal.
Funding liquidity risk	The risk of losses arising either from timing mismatches between funding requirements and fund-raising or from unpredictable fund outflows that make it difficult for us to obtain necessary funding or that result in us being obligated to raise funds at interest rates that are substantially higher than normal.
Credit risk	The risk of losses arising from decline in the value of assets (including off-balance-sheet assets) due to deterioration in the financial condition of a borrower or counterparty.
Operational risk	The risk that losses will be incurred due to inadequate or failed internal processes, people and systems, or due to external events.
Processing risk	The risk of losses arising from failed processing due to negligence, accidents, or fraud by officers or employees.
IT system risk	The risk of losses arising from the failure of, the malfunctioning of, defects in, or unauthorized use of IT systems.
Information asset risk	The risk of losses arising from the loss, falsification, inappropriate use, or external leakage of information due to IT system damage or inappropriate processing.
Legal risk	The risk of losses arising from compensation for damages, penalties, or surcharges, or a decline in customer trust, due to an inability to rigorously comply with laws (including laws, ordinances, internal regulations, and processing procedures, etc.).
Human resources risk	The risk of losses arising from discriminatory acts in human resources administration.
Tangible assets risk	The risk of losses arising from damages to tangible assets resulting from natural disasters or other events.
Reputational risk	The risk of losses arising from the spread among the public, or a certain segment of the public, of false information about us, causing a loss of the Bank's credibility, damage to our image, and as a result, a loss of customers or fund-raising counterparties, or causing a worsening of transaction conditions.

Risk Management System

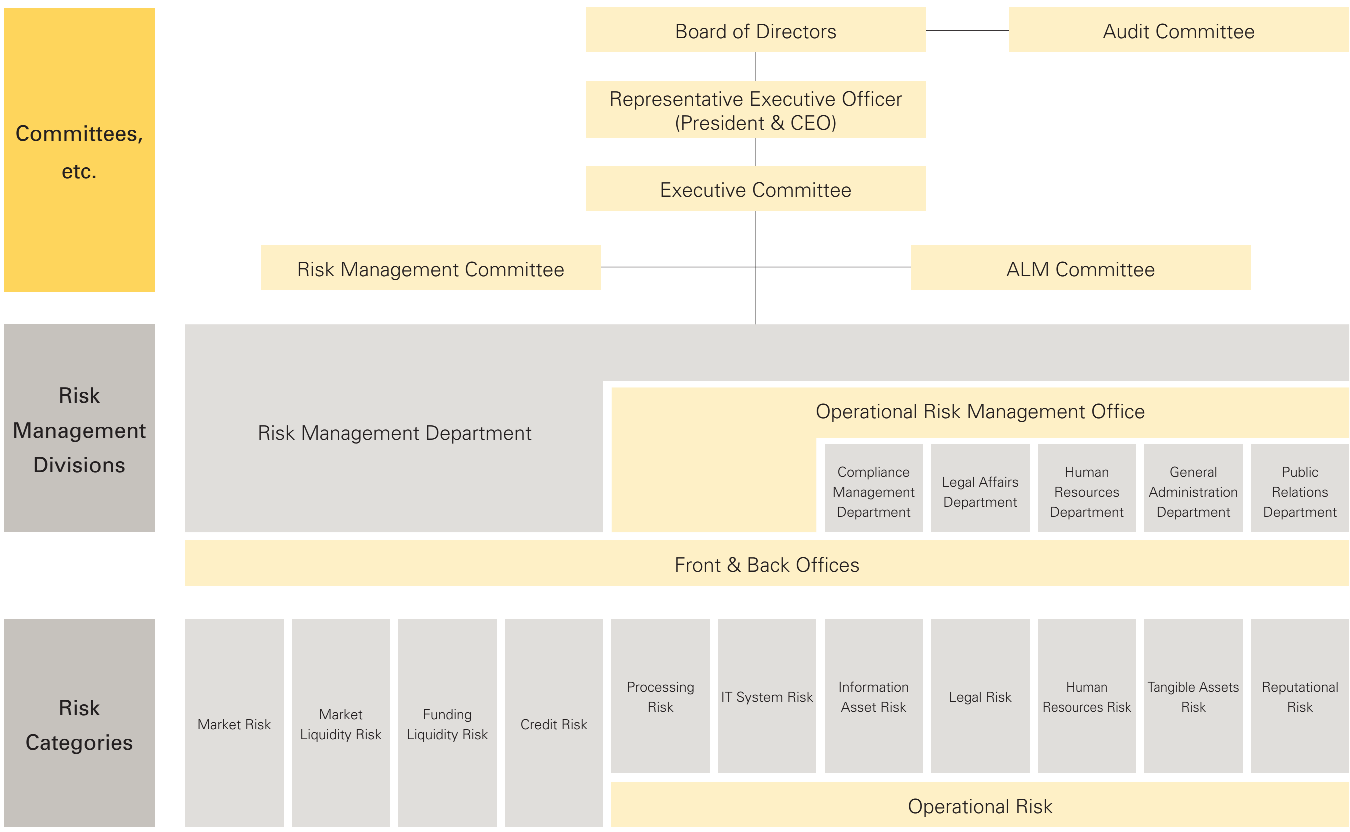
We have established risk management entities for each risk category as well as the Risk Management Department, which is responsible for monitoring the risks within the risk categories in an integrated manner in order to ensure the effectiveness of our comprehensive risk management. The Risk Management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

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

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

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

Risk Management System



Compliance with Basel Regulations

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

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

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

Basel 2.5, which has been applied since December 31, 2011, requires financial institutions to bolster their management of securitization exposure and upgrade disclosure, among other provisions. We comply with all provisions of Basel 2.5.

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 conduct stress testing based on scenarios that assume deterioration in the macroeconomic environment to confirm the impact on our financial condition, capital adequacy ratio and so forth.

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

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

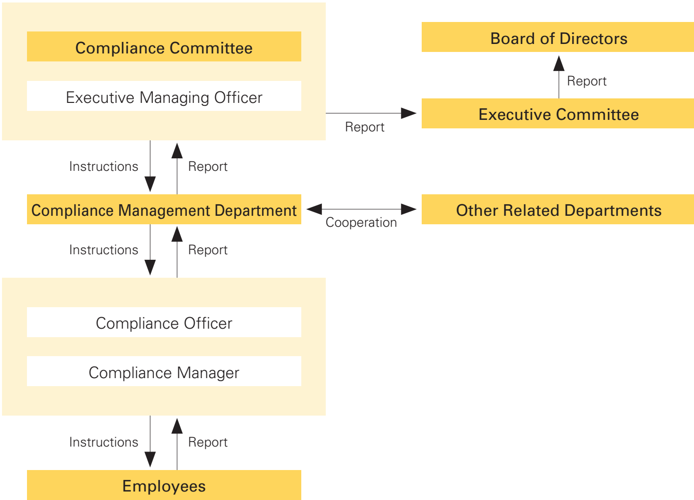
COMPLIANCE

Compliance System

For JAPAN POST BANK, compliance comprises adherence not only to laws and regulations but also to internal rules, social standards of behavior, and corporate ethics by all directors and employees. We are striving to be the most trustworthy bank in Japan, and consequently we view compliance as one of our most important management issues. Accordingly, we conduct rigorous compliance activities.

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

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



Compliance Initiatives

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

In addition, the Bank has formulated the Compliance Manual, which serves as a guide to the Bank's approach to compliance and various compliance items. We fully utilize these manuals, such as at training sessions for directors and employees, to enhance awareness and understanding of their content.

Each director and employee has received the Compliance Handbook, which contains the most important, baseline compliance items from the Compliance Manual that JAPAN POST BANK directors and employees need to be aware of. In this way, the Bank further raises compliance awareness.

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

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

CSR (CORPORATE SOCIAL RESPONSIBILITY)

JAPAN POST BANK sees CSR as one of its highest management priorities given the fundamental importance of the Bank's role in society. Aiming to become "the most accessible and trustworthy Bank in Japan," we will continue to fulfill our responsibilities as a good corporate citizen. In the process, we will remain focused on three key CSR themes—offering accessible services to everyone, contributing to society and regional communities, and protecting the environment.

Offering Accessible Services to Everyone

We strive to enhance and expand the range of products and services we provide to ensure that senior citizens, people who are physically challenged and other customers can readily access the Bank's services. Examples include services using Braille for the visually impaired. Furthermore, we are striving to enhance the Bank's facilities so that all customers can use our facilities with peace of mind.

Examples of Activities

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.

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

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 with handrails, thereby enabling senior citizens and people who are physically challenged to readily access bank services. In addition, Braille walkway blocks have been installed for visually challenged customers.

Employee-Friendly Workplaces

We are implementing various initiatives to raise employee awareness and build a corporate culture where employees can succeed by demonstrating their abilities to the fullest, while taking a positive approach to both work and private life.

Initiatives to Better Work-Life Balance

In order to empower employees to work productively, the realization of Work-Life Balance is essential. For this purpose, we encourage employees to take planned leave, by promoting "Refresh Days" twice a week, when employees finish work by the end of regular business hours. We also conduct various seminars for our employees. In addition, we have support systems such as a reduced working hours system to ensure that employees can balance child care, nursing care and other such responsibilities with their careers.

Next generation accreditation mark "KURUMIN"

Operation of "JAPAN POST BANK ARIGATO Center"

As part of our CSR activities, we manage the "JAPAN POST BANK ARIGATO Center." At this facility, people who are physically challenged bag candy that is handed to customers visiting branches as a customer appreciation initiative.

Bagging operation at the "JAPAN POST BANK ARIGATO Center"

Contributing to Society and Local Communities

As a bank with deep roots in local communities, we are actively engaged in social contribution activities. For example, we have established the "JAPAN POST BANK Deposits for International Aid" program; participate in clean-up activities and events held by local communities, including areas surrounding branches; and produce post cards featuring illustrations by artists who are physically challenged and hand these post cards out to our customers.

Examples of Activities

"JAPAN POST BANK Deposits for International Aid"

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

Under the "JAPAN POST BANK Deposits for International Aid" program, customers donate 20% of the interest received on their savings (after-tax) to JAPAN POST BANK. 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.

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

The program began in October 2008, and as of March 31, 2013 we had received 568,072 applications for the program, and a total of ¥9,890,876 has been donated to the JICA Fund.

Piggy Bank Design Contest for Children

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

We started the contest in 1975 to commemorate the founding centennial of postal savings services in Japan. The fiscal year ended March 2013 marked the 37th contest. We received 811,386 piggy bank entries from 11,520 elementary schools across Japan.

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

In the fiscal year ended March 2013, we donated ¥10 for every piggy bank entry received (a total of ¥8,113,860) to the Japan Committee for UNICEF and JICA. The donations to the Japan Committee for UNICEF will be used to assist children and their families who have been directly affected by the Great East Japan Earthquake, while the donations to JICA will be used to provide aid to children suffering from poverty and illness in developing countries. Moreover, we conducted a traveling exhibition called "Grow a Large Forest" featuring drawings of trees created by children visiting each exhibition venue. The event was attended by more than 2,500 children nationwide.

Protecting the Environment

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

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

Examples of Activities

Energy Efficiency Measures

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 reduce copy paper usage at all branches and facilities.

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

Acquisition of ISO 14001 Certification

Since our JAPAN POST years, we have continued working to acquire ISO 14001, an international standard for environmental management systems. The Bank has acquired ISO 14001 certification at 10 branches. At these branches, we have developed the JAPAN POST BANK Environmental Management System as a standardized framework modeled on ISO 14001. Based on this system, the branches are actively working to continuously improve environmental management by reducing their environmental impact and implementing other measures using PDCA cycles.

JAPAN POST BANK Environmental Policy

I Basic Philosophy

As "the most accessible and trustworthy Bank in Japan," JAPAN POST BANK shall endeavor to conduct environmentally friendly activities to protect the natural riches and environment of regional communities, and hand the Earth's precious natural environment to children and future generations.

II Basic Policies

1 We shall properly comply with environmental laws and regulations, ordinances, various agreements we have signed, and other obligations while endeavoring to implement measures to reduce our impact on the Earth's natural environment even more than before and to prevent environmental pollution.

2 We shall endeavor to continuously improve our environmental management system by establishing environmental goals and targets and systematically executing measures to achieve them, while building a framework for regularly revising these goals and targets.

3 We shall endeavor to preserve the Earth's natural environment by actively working to conserve resources and energy, and recycle resources, among other initiatives, in the course of fulfilling our daily duties.

4 We shall actively implement measures to achieve a recycling-oriented society through such means as using environmentally friendly supplies.

5 We shall endeavor to improve our awareness of environmental issues by actively disclosing information related to the environment both within and outside the Bank, while promoting environmental education and awareness-raising activities.

6 We shall actively participate in and support environmental protection measures in regional communities as "the most accessible and trustworthy Bank in Japan."

7 We shall endeavor to increase our understanding and awareness of the environment in line with these environmental policies, while disclosing these policies to a broad cross section of the general public.

October 1, 2007

Great East Japan Earthquake Assistance Measures

We wish to express our deepest sympathies to all those who were directly affected by the Great East Japan Earthquake, which struck the Tohoku region, their family members and other related parties.

The Bank has undertaken various measures to provide assistance to people directly affected by the earthquake and to the disaster-stricken regions. In this section, we take a look at some of these activities.

Free-of-charge Money Transfers for Natural Disaster Relief Donations

We offered free money transfers by ordinary in-payment for natural disaster relief donations, in support of relief activities for victims of the Great East Japan Earthquake. These free money transfers were sent to the accounts of organizations engaged in relief and other related activities such as the Japanese Red Cross Society and the Central Community Chest of Japan.

As of May 31, 2013, the Bank had processed a total of approximately 3.15 million free money transfers for disaster relief donations, in the total transfer amount of approximately ¥90.8 billion.

Emergency Handling of Deposits

We have permitted withdrawals of up to ¥200,000 per person from ordinary deposit accounts by depositors who have lost their deposit passbooks, deposit certificates, seals or other such articles as a result of the Great East Japan Earthquake.

As of March 31, 2013, the Bank had processed a total of approximately 22 thousand transactions as part of the emergency handling of deposits (accepted through the Deposit Savings Business Center), in the total amount of approximately ¥2.61 billion.

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

Board of Directors

Yoshiyuki Izawa	Representative Executive Officer (President & CEO)
Tomohiro Yonezawa	Representative Executive Vice President
Susumu Tanaka	Executive Vice President
Fumio Masada	Outside Director
Atsushi Kinebuchi	Outside Director
Tomoyoshi Arita	Outside Director
Taizou Nishimuro	Outside Director

Nomination Committee

Taizou Nishimuro	Chairman
Yoshiyuki Izawa	
Tomohiro Yonezawa	
Fumio Masada	
Atsushi Kinebuchi	

Audit Committee

Tomoyoshi Arita	Chairman
Fumio Masada	
Atsushi Kinebuchi	

Compensation Committee

Taizou Nishimuro	Chairman
Yoshiyuki Izawa	
Tomohiro Yonezawa	
Fumio Masada	
Atsushi Kinebuchi	

Executive Officers

Yoshiyuki Izawa	Representative Executive Officer (President & CEO)
Tomohiro Yonezawa	Representative Executive Vice President
Susumu Tanaka	Executive Vice President
Tomohisa Mase	Executive Vice President
Shuichi Ikeda	Senior Managing Executive Officer
Masahiro Murashima	Senior Managing Executive Officer
Hiroshi Yamada	Senior Managing Executive Officer
Riki Mukai	Managing Executive Officer
Satoshi Hoshino	Managing Executive Officer
Hiroichi Shishimi	Managing Executive Officer
Chiharu Komachi	Managing Executive Officer
Yoko Makino	Executive Officer
Kunihiko Amaha	Executive Officer
Masato Wakai	Executive Officer
Masaya Aida	Executive Officer
Katsumi Amano	Executive Officer
Yoichi Uno	Executive Officer
Harumi Yano	Executive Officer
Yasuyuki Hori	Executive Officer
Norio Wakasa	Executive Officer
Masahiro Nishimori	Executive Officer
Makoto Shinmura	Executive Officer
Suzunori Hayashi	Executive Officer
Makoto Fukumoto	Executive Officer

(As of July 1, 2013)

ORGANIZATION

As of July 1, 2013

- Shareholders' Meeting
- Board of Directors
  - Nomination Committee
  - Audit Committee
  - Compensation Committee
  - Audit Committee Office
- Representative Executive Officer (President & CEO)
  - Executive Committee
  - Internal Control Committee
  - Special Committees
    - Compliance Committee
    - Risk Management Committee
    - ALM Committee
    - CSR Committee
  - Internal Audit Division
    - Internal Audit Planning Department
  - Compliance Division
    - Compliance Management Department
    - Customer Satisfaction Department
    - Operational Risk Management Office
  - Corporate Administration Division
    - Corporate Planning Department
    - Research Department
    - Credit Department
    - Financial Accounting Department
    - Public Relations Department
    - Risk Management Department
    - Human Resources Department
    - Legal Affairs Department
    - London Representative Office
    - Hong Kong Representative Office
  - Corporate Service Division
    - General Administration Department
    - Operation Management Department
    - Operation Planning Department
    - Operation Support Department
    - System Management Department
    - System Development Department
    - System Operations Department
    - IT Strategy Department
    - Administration Service Centers (49)
    - Operation Support Centers (11)
    - Seal Card Management Center (1)
    - Data Centers (2)
  - Investment Division
    - CIO Office
    - Global Rates and Equity Investment Department
    - Treasury Department
    - Global Credit Investment Department
    - Treasury Administration and IT Department
  - Marketing Division
    - Marketing Department
    - Marketing Department 1
    - Marketing Department 2
    - Marketing Department 3
    - Marketing Administration Department
    - Loan Marketing Department
    - Credit Card Collection Service Center (1)
  - Regional Headquarters, Branches

FINANCIAL SECTION

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following section of this annual report for the fiscal year ended March 31, 2013 presents management's discussion and analysis of financial condition and results of operations ("MD&A") of JAPAN POST BANK (the "Bank," "we," "us," "our," and similar terms). This MD&A highlights selected information and may not contain all of the information that is important to readers of this annual report. For a more complete description of events, trends, and uncertainties, as well as the capital, liquidity, and credit and market risks affecting us and our operations, readers should refer to other sections in this annual report. This section should be read in conjunction with the non-consolidated financial statements and notes included elsewhere in this annual report.

Results of Operations

Financial Performance of JAPAN POST BANK

	Millions of yen		
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012	Difference
Gross operating profit:	**¥1,624,329**	¥1,670,002	¥ (45,673)
Net interest income	**1,532,152**	1,677,349	(145,196)
Net fees and commissions	**88,126**	88,460	(334)
Net other operating income (loss)	**4,050**	(95,806)	99,857
General and administrative expenses (excluding non-recurring losses):	**1,111,521**	1,174,532	(63,011)
Personnel expenses	**119,703**	116,142	3,560
Non-personnel expenses	**926,615**	989,933	(63,318)
Taxes and dues	**65,202**	68,455	(3,253)
Operating profit (before provision for general reserve for possible loan losses)	**512,808**	495,470	17,337
Net operating profit	**512,808**	495,470	17,337
Non-recurring gains (losses)	**80,727**	80,744	(17)
Net ordinary income	**593,535**	576,215	17,320
Extraordinary income (loss)	**(1,983)**	(2,435)	452
Income before income taxes	**591,552**	573,780	17,772
Net income	**¥ 373,948**	¥ 334,850	¥ 39,098

Net Operating Profit

In the fiscal year ended March 31, 2013, gross operating profit was ¥1,624.3 billion, a decrease of 2.73% from ¥1,670.0 billion in the fiscal year ended March 31, 2012. This decrease was attributable to a decrease of ¥145.1 billion in net interest income, among other factors.

General and administrative expenses (excluding non-recurring losses) were ¥1,111.5 billion, a year-on-year decrease of 5.36% from ¥1,174.5 billion.

As a result, net operating profit was ¥512.8 billion, an increase of 3.49% from ¥495.4 billion in the fiscal year ended March 31, 2012.

Net ordinary income was ¥593.5 billion, an increase of 3.00% from ¥576.2 billion in the fiscal year ended March 31, 2012.

Net income was ¥373.9 billion, an increase of 11.67% from ¥334.8 billion in the fiscal year ended March 31, 2012.

Net Interest Income

Net interest income was ¥1,532.1 billion, a decrease of 8.65% from ¥1,677.3 billion in the fiscal year ended March 31, 2012.

Interest income was ¥1,876.1 billion, a decline of 6.51% from ¥2,006.9 billion in the fiscal year ended March 31, 2012. The decline was primarily attributable to a decline in interest and dividends on securities.

The average balance of interest-earning assets was ¥183,178.8 billion, an increase of ¥1,515.6 billion from ¥181,663.1 billion in the fiscal year ended March 31, 2012. The increase was principally due to an increase in the balance of due from banks. The earnings yield on interest-earning assets was 1.02%, a drop of eight basis points from the fiscal year ended March 31, 2012. This primarily reflected the decrease in the earnings yield on Japanese Government Bonds, which account for the majority of the Bank's interest-earning assets.

Interest expenses were ¥343.9 billion, up 4.36% from ¥329.5 billion in the fiscal year ended March 31, 2012. This increase was mainly attributable to an increase in interest on interest rate swaps.

The average balance of interest-bearing liabilities was ¥173,952.0 billion, an increase of ¥638.1 billion from ¥173,313.8 billion in the fiscal year ended March 31, 2012. The interest rate on interest-bearing liabilities was 0.19%, unchanged from the fiscal year ended March 31, 2012. The interest rate on deposits remained unchanged year on year, at 0.15%.

Net Interest Income

	Millions of yen		
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012	Difference
Net interest income:	**¥1,532,152**	¥1,677,349	¥(145,196)
Interest income	**1,876,142**	2,006,939	(130,797)
Interest expenses	**¥ 343,990**	¥ 329,590	¥ 14,399

Earnings Yields of Interest-Earning Assets and Interest Rates on Interest-Bearing Liabilities

	Millions of yen					
	Fiscal year ended March 31, 2013			Fiscal year ended March 31, 2012		
	Average balance	Interest	Earnings yield (%)	Average balance	Interest	Earnings yield (%)
Interest-earning assets:	**¥183,178,803**	**¥1,876,142**	**1.02**	¥181,663,189	¥2,006,939	1.10
Loans	**3,996,399**	**43,712**	**1.09**	4,202,546	47,770	1.13
Securities	**169,604,359**	**1,816,271**	**1.07**	172,129,563	1,947,853	1.13
Due from banks, etc.	**9,040,423**	**9,735**	**0.10**	4,981,599	5,940	0.11
Interest-bearing liabilities:	**173,952,044**	**343,990**	**0.19**	173,313,898	329,590	0.19
Deposits	**176,328,187**	**271,837**	**0.15**	175,575,435	273,738	0.15
Borrowed money	**¥ 1**	**¥ 0**	**0.29**	¥ 0	¥ 0	0.30

Net Fees and Commissions

Net fees and commissions were ¥88.1 billion, a decrease of 0.37% from ¥88.4 billion in the fiscal year ended March 31, 2012.

Fees and commissions received were ¥114.8 billion, a 2.09% rise from ¥112.4 billion in the fiscal year ended March 31, 2012. This overall increase was attributable to an increase in other fees and commissions, despite lower fees and commissions on domestic and foreign exchanges.

Fees and commissions received included ¥63.7 billion of fees and commissions on domestic and foreign exchange, a decline of 0.27% from ¥63.8 billion in the fiscal year ended March 31, 2012. Other fees and commissions received were ¥51.1 billion, an increase of 5.20% from ¥48.5 billion in the fiscal year ended March 31, 2012.

Fees and commissions paid were ¥26.6 billion, an increase of 11.21% from ¥23.9 billion in the fiscal year ended March 31, 2012.

Net Fees and Commissions

	Millions of yen		
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012	Difference
Net fees and commissions:	**¥ 88,126**	¥ 88,460	¥ (334)
Fees and commissions received	**114,801**	112,446	2,355
Fees and commissions paid	**¥ 26,675**	¥ 23,985	¥2,689

Net Other Operating Income (Loss)

Net other operating income of ¥4.0 billion was recorded, compared with a net other operating loss of ¥95.8 billion in the fiscal year ended March 31, 2012.

Net Other Operating Income (Loss)

	Millions of yen		
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012	Difference
Net other operating income (loss):	**¥ 4,050**	¥ (95,806)	¥ 99,857
Other operating income	**47,524**	24,398	23,126
Other operating expenses	**¥43,473**	¥120,205	¥(76,731)

General and Administrative Expenses

General and administrative expenses (including non-recurring losses) were ¥1,110.7 billion, a decrease of 5.37% from ¥1,173.9 billion in the fiscal year ended March 31, 2012. The decrease was mainly due to a decline in non-personnel expenses.

Personnel expenses were ¥118.9 billion, an increase of 2.96% from ¥115.5 billion in the fiscal year ended March 31, 2012.

Non-personnel expenses were ¥926.6 billion, a decrease of 6.39% from ¥989.9 billion in the fiscal year ended March 31, 2012.

Non-personnel expenses included ¥609.5 billion in payments on bank agency services for JAPAN POST Co., Ltd., a decrease of 1.53% from ¥619.0 billion in the fiscal year ended March 31, 2012.

Taxes and dues were ¥65.2 billion, a decrease of 4.75% from ¥68.4 billion in the fiscal year ended March 31, 2012.

General and Administrative Expenses

	Millions of yen		
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012	Difference
Personnel expenses:	**¥ 118,949**	¥ 115,524	¥ 3,425
Salaries and allowances	**111,067**	107,495	3,571
Others	**7,882**	8,028	(145)
Non-personnel expenses:	**926,615**	989,933	(63,318)
Payments on bank agency services for JAPAN POST Co., Ltd.	**609,578**	619,085	(9,507)
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd.*	**27,009**	43,593	(16,584)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	**94,311**	102,564	(8,253)
Rent for land, buildings and others	**11,689**	11,327	362
Expenses on consigned businesses	**62,746**	67,125	(4,379)
Depreciation and amortization	**25,812**	35,108	(9,296)
Communication and transportation expenses	**20,840**	22,413	(1,573)
Maintenance expenses	**14,023**	15,063	(1,040)
IT expenses	**36,789**	45,231	(8,441)
Others	**23,814**	28,419	(4,604)
Taxes and dues	**65,202**	68,455	(3,253)
Total	**¥1,110,767**	¥1,173,914	¥(63,146)

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

Non-recurring Gains (Losses)

In the fiscal year ended March 31, 2013, non-recurring gains were ¥80.7 billion, mostly the same as in the fiscal year ended March 31, 2012. We make investments in equities through money held in trust. Gains on money held in trust were ¥84.3 billion, up ¥2.4 billion year on year.

Non-recurring Gains (Losses)

	Millions of yen		
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012	Difference
Non-recurring gains (losses):	**¥80,727**	¥80,744	¥ (17)
Gains (losses) on money held in trust	**84,389**	81,970	2,419
Other non-recurring gains (losses)	**¥ (3,662)**	¥ (1,225)	¥(2,437)

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ASSETS

	Millions of yen		
	As of March 31, 2013	As of March 31, 2012	Y-o-Y change
Cash and due from banks	**¥ 9,195,940**	¥ 2,744,630	¥ 6,451,309
Call loans	**1,837,733**	1,206,290	631,443
Receivables under securities borrowing transactions	**8,141,533**	5,778,828	2,362,705
Monetary claims bought	**58,835**	94,867	(36,031)
Trading account securities	**247**	216	31
Money held in trust	**3,038,863**	3,715,446	(676,582)
Securities	**171,596,578**	175,953,292	(4,356,714)
Loans	**3,967,999**	4,134,547	(166,548)
Foreign exchanges	**3,051**	2,630	421
Other assets	**1,636,605**	1,804,199	(167,594)
Tangible fixed assets	**154,882**	160,171	(5,288)
Intangible fixed assets	**64,592**	65,986	(1,394)
Customers' liabilities for acceptances and guarantees	**145,000**	160,000	(15,000)
Reserve for possible loan losses	**(1,182)**	(1,210)	27
Total assets	**¥199,840,681**	¥195,819,898	¥ 4,020,783

Total Assets

As of March 31, 2013, total assets were ¥199,840.6 billion, an increase of ¥4,020.7 billion, or 2.05%, from ¥195,819.8 billion as of March 31, 2012. The increase was mainly attributable to an increase in receivables under securities borrowing transactions, and an increase in cash and due from banks.

Money Held in Trust

Money held in trust amounted to ¥3,038.8 billion, a decrease of ¥676.5 billion, or 18.21%, from ¥3,715.4 billion as of March 31, 2012. Investments in equities and other instruments through money held in trust were aimed at diversifying investments and associated risks.

The valuation difference on money held in trust was ¥497.6 billion, an increase of ¥259.0 billion from ¥238.6 billion as of March 31, 2012, reflecting a recovery in stock market prices.

The valuation difference on Money Held in Trust

Other money held in trust (excluding assets classified for trading purposes or held to maturity) as of March 31, 2013 and 2012 consisted of the following:

Millions of yen					
As of March 31, 2013			As of March 31, 2012		
Acquisition cost (A)	Amount on the balance sheet (B)	Difference (B)–(A)	Acquisition cost (A)	Amount on the balance sheet (B)	Difference (B)–(A)
¥2,541,188	**¥3,038,863**	**¥497,674**	¥3,476,818	¥3,715,446	¥238,628

Securities

The balance of securities as of March 31, 2013 was ¥171,596.5 billion, a decrease of ¥4,356.7 billion, or 2.47%, from ¥175,953.2 billion as of March 31, 2012.

The balance of Japanese Government Bonds was ¥138,198.7 billion, a decrease of ¥6,741.0 billion, or 4.65%, from ¥144,939.8 billion as of March 31, 2012.

As of March 31, 2013, Japanese local government bonds amounted to ¥5,806.0 billion, an increase of ¥70.5 billion, or 1.22%, from March 31, 2012.

As of March 31, 2013, Japanese corporate bonds (including commercial paper) amounted to ¥11,852.9 billion, a decrease of ¥993.3 billion, or 7.73%, from March 31, 2012.

To diversify our investment, we increased the amount invested in foreign securities. Other securities, which mainly consisted of foreign securities, amounted to ¥15,738.7 billion, increasing ¥3,307.2 billion, or 26.60%, from March 31, 2012.

Securities

	Millions of yen		
	As of March 31, 2013	As of March 31, 2012	Y-o-Y change
Securities:	**¥171,596,578**	¥175,953,292	¥(4,356,714)
Japanese Government Bonds	**138,198,732**	144,939,816	(6,741,084)
Japanese local government bonds	**5,806,099**	5,735,585	70,513
Japanese corporate bonds	**11,852,985**	12,846,374	(993,388)
Other securities	**¥ 15,738,761**	¥ 12,431,516	¥ 3,307,245

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

The valuation difference on held-to-maturity securities increased ¥236.7 billion year on year to ¥3,304.9 billion. The valuation difference on available-for-sale securities whose fair value is available increased ¥1,723.7 billion year on year to ¥2,963.9 billion.

Unrealized Gains (Losses) on Securities

Held-to-maturity securities whose fair value is available as of March 31, 2013 and 2012 consisted of the following:

		Millions of yen		
		As of March 31, 2013		
	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	**¥89,247,254**	**¥ 92,244,168**	**¥2,996,914**
	Japanese local government bonds	**2,078,294**	**2,131,151**	**52,856**
	Japanese corporate bonds	**5,488,581**	**5,697,189**	**208,608**
	Others	**254,090**	**300,789**	**46,699**
	Total	**97,068,219**	**100,373,299**	**3,305,079**
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	**1,568,406**	**1,568,344**	**(62)**
	Japanese local government bonds	**—**	**—**	**—**
	Japanese corporate bonds	**77,978**	**77,953**	**(24)**
	Others	**—**	**—**	**—**
	Total	**1,646,384**	**1,646,297**	**(87)**
Total		**¥98,714,603**	**¥102,019,596**	**¥3,304,992**

Type		Millions of yen As of March 31, 2012 Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	¥ 95,106,378	¥ 97,896,746	¥2,790,367
	Japanese local government bonds	2,494,009	2,570,416	76,407
	Japanese corporate bonds	6,006,702	6,200,069	193,366
	Others	178,096	188,019	9,922
	Total	103,785,187	106,855,251	3,070,063
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	229,998	229,993	(5)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	269,069	268,967	(101)
	Others	55,947	54,184	(1,762)
	Total	555,014	553,145	(1,869)
Total		¥104,340,202	¥107,408,396	¥3,068,194

Available-for-sale securities whose fair value is available as of March 31, 2013 and 2012 consisted of the following:

Type		Millions of yen **As of March 31, 2013** Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds	**¥50,333,216**	**¥48,736,260**	**¥1,596,955**
	Japanese Government Bonds	**41,223,647**	**39,942,346**	**1,281,301**
	Japanese local government bonds	**3,705,919**	**3,560,666**	**145,253**
	Japanese corporate bonds	**5,403,649**	**5,233,248**	**170,401**
	Others	**14,437,296**	**13,029,183**	**1,408,113**
	Total	**64,770,513**	**61,765,444**	**3,005,069**
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds	**7,064,086**	**7,081,794**	**(17,708)**
	Japanese Government Bonds	**6,159,424**	**6,159,931**	**(507)**
	Japanese local government bonds	**21,885**	**21,901**	**(15)**
	Japanese corporate bonds	**882,777**	**899,961**	**(17,184)**
	Others	**1,740,275**	**1,763,636**	**(23,361)**
	Total	**8,804,361**	**8,845,431**	**(41,069)**
Total		**¥73,574,875**	**¥70,610,875**	**¥2,963,999**

Type		Millions of yen As of March 31, 2012 Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds	¥44,710,655	¥43,709,135	¥1,001,520
	Japanese Government Bonds	35,572,628	34,803,998	768,629
	Japanese local government bonds	3,211,041	3,114,688	96,352
	Japanese corporate bonds	5,926,986	5,790,447	136,538
	Others	10,016,347	9,634,637	381,709
	Total	54,727,003	53,343,772	1,383,230
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds	14,704,962	14,763,858	(58,896)
	Japanese Government Bonds	14,030,810	14,032,690	(1,879)
	Japanese local government bonds	30,535	30,570	(34)
	Japanese corporate bonds	643,616	700,598	(56,981)
	Others	2,860,091	2,944,166	(84,075)
	Total	17,565,053	17,708,025	(142,971)
Total		¥72,292,057	¥71,051,798	¥1,240,259

Loans

The balance of outstanding loans was ¥3,967.9 billion, a decrease of ¥166.5 billion, or 4.02%, from ¥4,134.5 billion as of March 31, 2012.

All of our loans are classified as normal loans.

Loans by Industry

	Millions of yen				
	As of March 31, 2013		As of March 31, 2012		Y-o-Y change
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount
Agriculture, forestry, fisheries, and mining	—	—	—	—	—
Manufacturing	¥ 132,491	3.33	¥ 164,207	3.97	¥ (31,716)
Utilities, information/communications, and transportation	184,034	4.63	182,217	4.40	1,816
Wholesale and retail	21,563	0.54	31,776	0.76	(10,213)
Finance and insurance	2,739,270	69.03	2,713,376	65.62	25,893
Construction and real estate	22,251	0.56	22,252	0.53	(0)
Services and goods rental/leasing	27,256	0.68	196,450	4.75	(169,193)
Central and local governments	613,793	15.46	622,540	15.05	(8,746)
Others	227,337	5.72	201,726	4.87	25,611
Total	¥3,967,999	100.00	¥4,134,547	100.00	¥(166,548)

Disclosures Under the Financial Reconstruction Act

	Millions of yen		
	As of March 31, 2013	As of March 31, 2012	Y-o-Y change
Loans to borrowers classified as bankrupt or quasi-bankrupt	—	—	—
Loans to borrowers classified as doubtful	—	—	—
Loans requiring close monitoring	—	—	—
Subtotal (A)	—	—	—
Loans to borrowers classified as normal	¥4,134,159	¥4,317,006	¥(182,846)
Total (B)	¥4,134,159	¥4,317,006	¥(182,846)
Non-performing loan ratio (A) / (B) (%)	—	—	—

Deferred Tax Assets/Liabilities

Net deferred tax liabilities as of March 31, 2013 were ¥870.5 billion, an increase of ¥485.0 billion from net deferred tax liabilities of ¥385.4 billion as of March 31, 2012. This change was mainly attributable to an increase in net unrealized gains on available-for-sale securities in deferred tax liabilities.

Major Components of Deferred Tax Assets and Liabilities

	Millions of yen		
	As of March 31, 2013	As of March 31, 2012	Y-o-Y change
Deferred tax assets:	**¥ 330,059**	¥ 154,367	¥ 175,691
Reserve for possible loan losses	**171**	206	(35)
Reserve for employees' retirement benefits	**48,806**	48,843	(36)
Depreciation	**17,326**	13,573	3,753
Accrued interest on deposits	**24,217**	14,690	9,527
Impairment losses of money held in trust	**3,076**	9,813	(6,736)
Deferred losses on hedges	**208,661**	39,088	169,573
Accrued enterprise taxes	**9,111**	8,996	115
Others	**18,686**	19,156	(469)
Deferred tax liabilities:	**(1,200,568)**	(539,809)	(660,759)
Net unrealized gains on available-for-sale securities	**(1,190,683)**	(525,706)	(664,976)
Others	**(9,885)**	(14,103)	4,217
Net deferred tax liabilities	**¥ (870,509)**	¥(385,441)	¥(485,068)

LIABILITIES

	Millions of yen		
	As of March 31, 2013	As of March 31, 2012	Y-o-Y change
Deposits	**¥176,096,136**	¥175,635,370	¥ 460,766
Payables under securities lending transactions	**9,443,239**	8,302,091	1,141,147
Foreign exchanges	**272**	152	119
Other liabilities	**2,145,910**	1,377,341	768,568
Reserve for employees' bonuses	**5,609**	5,185	424
Reserve for employees' retirement benefits	**136,247**	135,982	265
Reserve for directors' retirement benefits	**198**	170	27
Deferred tax liabilities	**870,509**	385,441	485,068
Acceptances and guarantees	**145,000**	160,000	(15,000)
Total liabilities	**¥188,843,123**	¥186,001,735	¥2,841,387

Total Liabilities

Total liabilities were ¥188,843.1 billion, an increase of ¥2,841.3 billion, or 1.52%, from ¥186,001.7 billion as of March 31, 2012. The main reason for this increase was an increase in deposits of ¥460.7 billion, and an increase of ¥1,141.1 billion in payables under securities lending transactions.

Deposits

The balance of deposits was ¥176,096.1 billion, an increase of ¥460.7 billion, or 0.26%, from ¥175,635.3 billion as of March 31, 2012.

Changes in Liquid Deposits and Fixed-Term Deposits

Liquid deposits were ¥59,971.4 billion as of March 31, 2013, a decrease of ¥223.3 billion, or 0.37%, from ¥60,194.8 billion as of March 31, 2012. Fixed-term deposits were ¥115,878.6 billion, an increase of ¥697.6 billion, or 0.60%, from ¥115,180.9 billion.

Balances by Type of Deposit

Millions of yen

	As of March 31, 2013		As of March 31, 2012		Y-o-Y change
	Amount	(%)	Amount	(%)	Amount
Liquid deposits:	¥ 59,971,472	34.05	¥ 60,194,830	34.27	¥(223,357)
Transfer deposits	10,209,954	5.79	9,474,107	5.39	735,847
Ordinary deposits, etc.	49,358,959	28.02	50,309,540	28.64	(950,580)
Savings deposits	402,558	0.22	411,182	0.23	(8,624)
Fixed-term deposits:	115,878,602	65.80	115,180,951	65.57	697,651
Time deposits, etc.	18,817,949	10.68	18,426,695	10.49	391,254
TEIGAKU deposits, etc.	97,057,788	55.11	96,750,382	55.08	307,406
Other deposits	246,060	0.13	259,588	0.14	(13,527)
Subtotal	176,096,136	100.00	175,635,370	100.00	460,766
Negotiable certificates of deposit	—	—	—	—	—
Total	¥176,096,136	100.00	¥175,635,370	100.00	¥ 460,766

Reserve for Employees' Retirement Benefits

The reserve for employees' retirement benefits was ¥136.2 billion, an increase of ¥0.2 billion from ¥135.9 billion as of March 31, 2012. We have adopted a lump-sum retirement benefit plan.

Employees' Retirement Benefit Obligation

Millions of yen

	As of March 31, 2013	As of March 31, 2012
Projected benefit obligation	¥(128,120)	¥(129,186)
Unfunded projected benefit obligation	(128,120)	(129,186)
Unrecognized net actuarial losses	(8,127)	(6,796)
Net amount recorded on the balance sheets	(136,247)	(135,982)
Reserve for employees' retirement benefits	¥(136,247)	¥(135,982)

Breakdown of Total Retirement Benefit Costs

Millions of yen

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012
Service cost	¥6,499	¥6,461
Interest cost on projected benefit obligation	2,195	2,190
Amortization of unrecognized net actuarial losses	(812)	(676)
Others	0	0
Total retirement benefit costs	¥7,882	¥7,976

NET ASSETS

	Millions of yen		
	As of March 31, 2013	As of March 31, 2012	Y-o-Y change
Common stock	**¥ 3,500,000**	¥3,500,000	—
Capital surplus	**4,296,285**	4,296,285	—
Retained earnings	**1,440,830**	1,150,595	¥ 290,234
Total shareholders' equity	**9,237,115**	8,946,881	290,234
Net unrealized gains on available-for-sale securities	**2,137,265**	941,871	1,195,394
Deferred gains (losses) on hedges	**(376,823)**	(70,589)	(306,233)
Total valuation and translation adjustments	**1,760,442**	871,281	889,161
Total net assets	**¥10,997,558**	¥9,818,162	¥1,179,395

Net assets as of March 31, 2013 were ¥10,997.5 billion, an increase of ¥1,179.3 billion, or 12.01%, from ¥9,818.1 billion as of March 31, 2012.

Shareholders' equity was ¥9,237.1 billion, an increase of ¥290.2 billion, or 3.24%, from March 31, 2012, due to an increase in retained earnings. We posted ¥2,137.2 billion of net unrealized gains on available-for-sale securities in the fiscal year ended March 31, 2013, an increase of ¥1,195.3 billion. In addition, we use the deferred hedge method in hedging interest rate risk and foreign currency risk, and in the fiscal year ended March 31, 2013 we booked ¥376.8 billion of deferred losses on hedges.

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, 2013 was 66.04%, a decrease of 2.35 percentage points from March 31, 2012. In addition, Tier I capital accounted for the majority of our capital.

Total risk-based capital, the numerator of the ratio, was ¥9,144.0 billion, an increase of ¥280.4 billion from ¥8,863.6 billion as of March 31, 2012. This increase was mainly attributable to growth in retained earnings.

Risk-weighted assets, which correspond to the denominator of the ratio, amounted to ¥13,846.0 billion, representing an increase of ¥887.1 billion from ¥12,958.8 billion as of March 31, 2012. The main reason for the increase in risk-weighted assets was an increase in foreign securities investments aimed at diversifying investments.

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

	Millions of yen		
	As of March 31, 2013	As of March 31, 2012	Y-o-Y change
Tier I capital (A)	**¥ 9,143,628**	¥ 8,863,167	¥280,460
Tier II capital (B)	**454**	491	(37)
Deductions (C)	**—**	—	—
Total risk-based capital (A) + (B) – (C) = (D)	**9,144,082**	8,863,659	280,423
Risk-weighted assets (E)	**13,846,024**	12,958,826	887,197
On-balance-sheet items	**10,212,098**	9,394,189	817,909
Off-balance-sheet items	**436,338**	295,615	140,722
Operational risk equivalent / 8%	**3,197,587**	3,269,021	(71,434)
Capital adequacy ratio (D) / (E) (%)	**66.04**	68.39	(2.35)
Tier I capital ratio (A) / (E) (%)	**66.03**	68.39	(2.35)

Dividends

We increased the total cash dividend paid for the fiscal year ended March 31, 2013 to ¥93.4 billion. The per-share cash dividend was ¥623.25 and the dividend payout ratio was 25.00%.

Risk Management

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

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

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

Risk Management System

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

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

We have established special advisory committees to the Executive Committee to handle risk management responsibilities: the Risk Management Committee and the 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 set capital adequacy standards, which are international standards to ensure bank soundness. Basel II, a version of these standards that has been revised to more appropriately respond to risk conditions, has been applied in Japan since March 31, 2007.

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

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

Basel 2.5, which has been applied since December 31, 2011, requires financial institutions to bolster their management of securitization exposure and upgrade disclosure, among other provisions. We comply with all provisions of Basel 2.5.

Integrated Risk Management

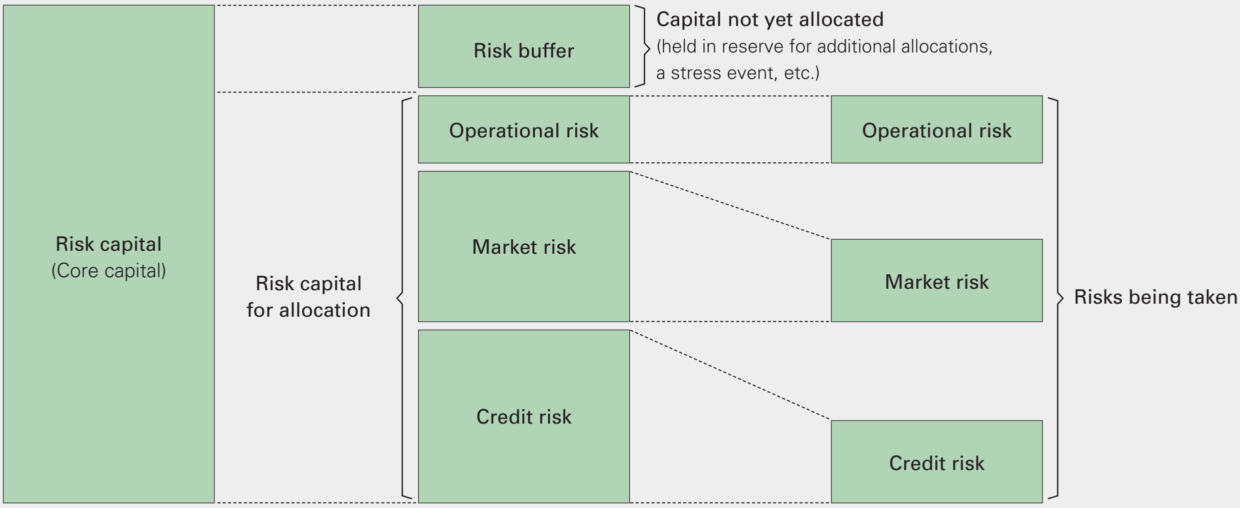
We broadly classify and define risks into five categories: market, market liquidity, funding liquidity, credit, and operational risks. We manage these risks using both quantitative and qualitative approaches.

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 conduct stress testing based on scenarios that assume deterioration in the macroeconomic environment to confirm the impact on our financial condition, capital adequacy ratio and so forth.

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

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

Risk Capital Allocation



Market Risk Management / Market Liquidity Risk Management

1. Market Risk Management System

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

We use the VaR statistical 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.

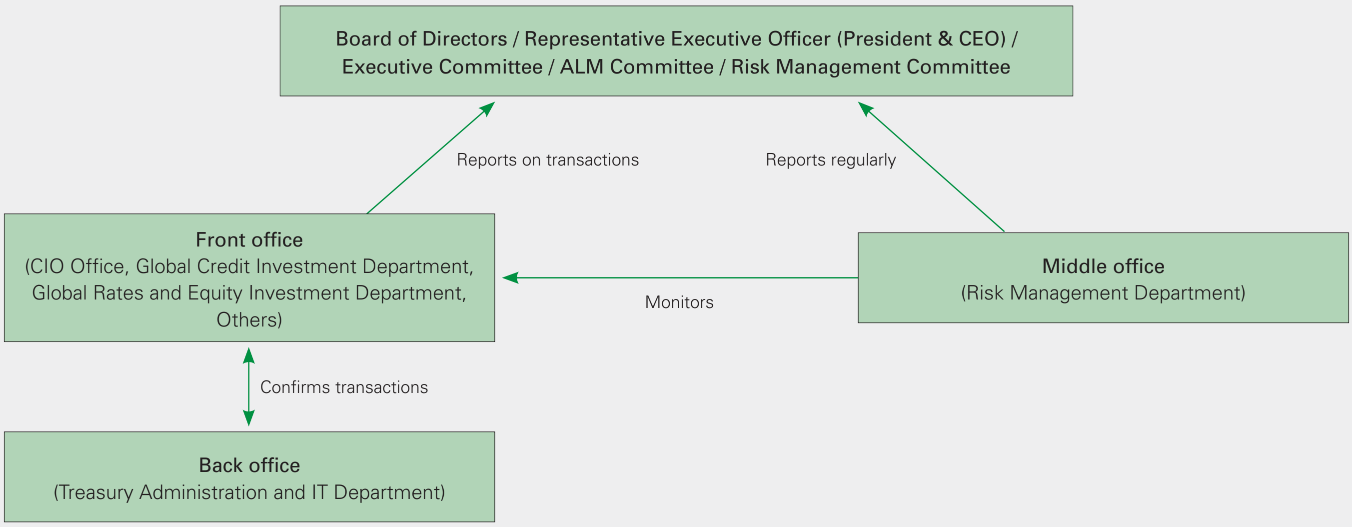
We have established a system for closely monitoring interest rate risk, in recognition of the importance of interest rates on our business. As part of this system, we perform simulations to gauge the effect of interest changes on our earnings.

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



2. Market Risk Measurement Model

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

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

3. Market Risk Exposure

In the fiscal year ended March 31, 2013, our VaR was as follows:

VaR (From April 1, 2012 to March 31, 2013)

	Billions of yen			
	Year-end	Maximum	Minimum	Average
Fiscal year ended March 31, 2013	**¥1,502.1**	**¥1,893.6**	**¥1,354.4**	**¥1,564.3**

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

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

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

5. Market Liquidity Risk Management

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

Funding Liquidity Risk Management

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

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

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

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

Credit Risk Management

1. Credit Risk Management System

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

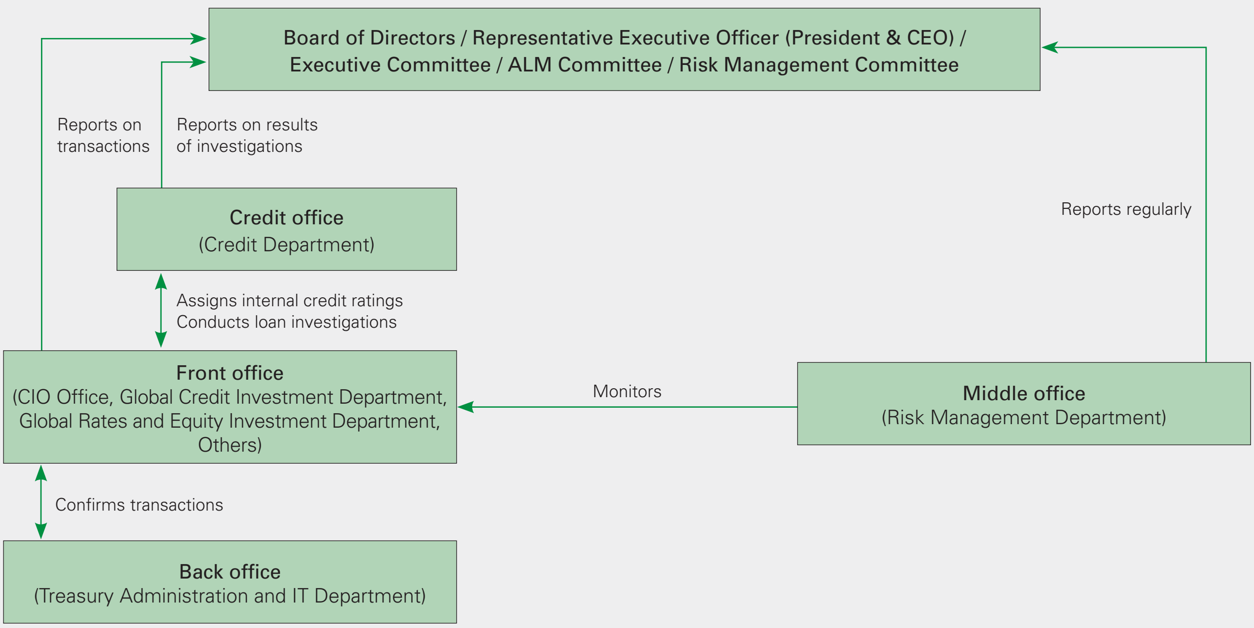
In order to control credit concentration risk, we have set credit limits for individual companies and corporate groups.

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

Our Credit Department handles credit investigations. The Credit Department assigns internal credit ratings, monitors borrower status, watches large borrowers, and conducts individual credit management, such as individual loan investigations.

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

Credit Risk Management System

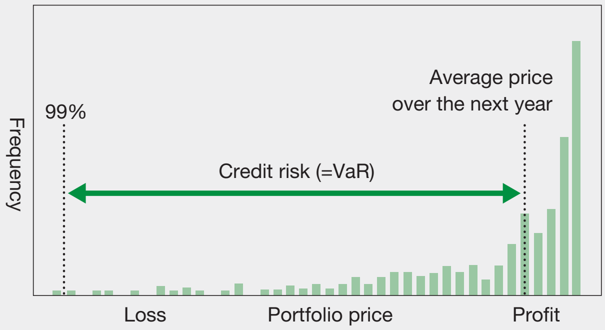


2. Measuring Credit Risk

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

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

Value at Risk (VaR) Image



3. Stress Testing

VaR calculations represent a statistical measurement of credit risk based on the probabilities associated with changes in credit ratings and other financial conditions. Consequently, the models cannot properly reflect credit risks under conditions of extreme economic fluctuations or when the assumptions used for our calculations are no longer valid. As a result, we periodically conduct stress testing to measure our potential losses in the event of credit-standing fluctuations that exceed the assumptions used in the model. The results of the stress testing are reported to the Executive Committee.

In conducting stress testing, we use a number of scenarios, including the estimated effect of the highest level of defaults experienced over the past decade.

4. Internal Credit Ratings

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

Internal Credit Rating System

Grades		Concept	Category
1		Has highest credit standing and many superior attributes.	Normal
2		Has exceedingly high credit standing and superior attributes.	
3		Has high credit standing and certain superior attributes.	
4	a	Has sufficient credit standing but requires attention in case of significant changes in the environment.	
	b		
5	a	Has no problems with credit standing at this point but has attributes requiring attention in case of changes in the environment.	
	b		
6	a	Has no current problems with credit standing but has attributes requiring constant attention.	
	b		
7		Has problems with loan conditions, such as by seeking interest rate reductions or rescheduling. Has problems with performance, such as overdue payments of principal or interest. Also has attributes requiring attention to management in the future, such as weak or unstable results or financial problems.	Borrowers requiring caution
8		Payment of principal or interest is past due three months or more calculated from the day following the scheduled payment date. Or, to facilitate the recovery of the loan, loan provisions have been eased to assist in the restructuring of the borrower or otherwise assisting the borrower. The borrower has fallen into business difficulties.	(Borrowers requiring monitoring)
9		Is not currently in bankruptcy but is having management problems. Progress with management improvement plan is not exceptional, and there is a high probability of bankruptcy in the future.	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

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

As one aspect of credit risk management, we conduct self-assessments to classify the assets we hold based on the degree of risk in terms of recovery and damage to collateral value. These self-assessments are the basis for appropriate accounting treatment, including write-offs and reserve for possible loan losses.

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

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

Loans to borrowers classified as normal or requiring 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.

6. Management of Individual Borrowers

We regularly monitor borrowers' loan repayment status, financial conditions, and other matters that affect credit standing in order to respond to the credit risks of borrowers in a timely and appropriate manner. We also engage in stricter monitoring for those borrowers requiring extra attention due to the condition of their business, such as borrowers subject to possible credit rating downgrades or which have experienced sharp drops in their stock price.

Operational Risk Management

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

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

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

We have an operational risk reporting system to track and update operational incidents and systems problems in a timely manner. 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.

FINANCIAL STATEMENTS

Balance Sheets

As of March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Assets:			
Cash and due from banks (Notes 17 and 20):	**¥ 9,195,940**	¥ 2,744,630	**$ 97,777,140**
Cash	**123,843**	121,510	**1,316,785**
Due from banks	**9,072,096**	2,623,119	**96,460,354**
Call loans (Note 20)	**1,837,733**	1,206,290	**19,539,960**
Receivables under securities borrowing transactions (Note 20)	**8,141,533**	5,778,828	**86,566,016**
Monetary claims bought (Note 20)	**58,835**	94,867	**625,580**
Trading account securities (Notes 20 and 21):	**247**	216	**2,636**
Trading Japanese government bonds	**247**	216	**2,636**
Money held in trust (Notes 20 and 21)	**3,038,863**	3,715,446	**32,311,150**
Securities (Notes 8, 19, 20, 21 and 22):	**171,596,578**	175,953,292	**1,824,525,024**
Japanese Government Bonds	**138,198,732**	144,939,816	**1,469,417,671**
Japanese local government bonds	**5,806,099**	5,735,585	**61,734,174**
Japanese corporate bonds	**11,852,985**	12,846,374	**126,028,558**
Other securities	**15,738,761**	12,431,516	**167,344,619**
Loans (Notes 20 and 23):	**3,967,999**	4,134,547	**42,190,314**
Loans on deeds	**3,732,809**	3,912,823	**39,689,625**
Overdrafts	**235,189**	221,724	**2,500,688**
Foreign exchanges (Note 3)	**3,051**	2,630	**32,448**
Other assets (Notes 4, 8 and 20)	**1,636,605**	1,804,199	**17,401,440**
Tangible fixed assets (Note 5)	**154,882**	160,171	**1,646,812**
Intangible fixed assets (Note 6)	**64,592**	65,986	**686,789**
Customers' liabilities for acceptances and guarantees (Note 7)	**145,000**	160,000	**1,541,733**
Reserve for possible loan losses (Note 20)	**(1,182)**	(1,210)	**(12,576)**
Total assets	**¥199,840,681**	¥195,819,898	**$2,124,834,470**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Liabilities:			
Deposits (Notes 8, 9 and 20)	**¥176,096,136**	¥175,635,370	**$1,872,367,209**
Payables under securities lending transactions (Notes 8 and 20)	**9,443,239**	8,302,091	**100,406,585**
Foreign exchanges (Note 3)	**272**	152	**2,896**
Other liabilities (Note 10)	**2,145,910**	1,377,341	**22,816,697**
Contingent liabilities (Note 11)			
Reserve for employees' bonuses	**5,609**	5,185	**59,645**
Reserve for employees' retirement benefits (Note 24)	**136,247**	135,982	**1,448,670**
Reserve for directors' retirement benefits	**198**	170	**2,109**
Deferred tax liabilities (Note 25)	**870,509**	385,441	**9,255,819**
Acceptances and guarantees (Notes 7 and 8)	**145,000**	160,000	**1,541,733**
Total liabilities	**188,843,123**	186,001,735	**2,007,901,366**
Net assets (Note 16)**:**			
Common stock	**3,500,000**	3,500,000	**37,214,247**
Capital surplus	**4,296,285**	4,296,285	**45,680,871**
Retained earnings	**1,440,830**	1,150,595	**15,319,830**
Total shareholders' equity	**9,237,115**	8,946,881	**98,214,949**
Net unrealized gains on available-for-sale securities (Note 21)	**2,137,265**	941,871	**22,724,780**
Deferred gains (losses) on hedges	**(376,823)**	(70,589)	**(4,006,625)**
Total valuation and translation adjustments	**1,760,442**	871,281	**18,718,154**
Total net assets	**10,997,558**	9,818,162	**116,933,103**
Total liabilities and net assets	**¥199,840,681**	¥195,819,898	**$2,124,834,470**

See notes to financial statements.

Statements of Income

For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Revenues:			
Interest income:	**¥1,876,142**	¥2,006,939	**$19,948,356**
Interest on loans	**43,712**	47,770	**464,775**
Interest and dividends on securities	**1,816,271**	1,947,853	**19,311,762**
Interest on call loans	**3,049**	1,933	**32,419**
Interest on receivables under securities borrowing transactions	**6,409**	5,368	**68,148**
Interest on deposits with banks	**5,976**	2,557	**63,544**
Other interest income	**724**	1,457	**7,707**
Fees and commissions:	**114,801**	112,446	**1,220,645**
Fees and commissions on domestic and foreign exchanges	**63,701**	63,875	**677,314**
Other fees and commissions	**51,100**	48,571	**543,330**
Other operating income (Note 12)	**47,524**	24,398	**505,306**
Other income (Note 13)	**87,419**	90,856	**929,499**
Total revenues	**2,125,888**	2,234,640	**22,603,808**
Expenses:			
Interest expenses:	**349,831**	334,205	**3,719,631**
Interest on deposits	**271,837**	273,738	**2,890,351**
Interest on call money	**—**	0	**—**
Interest on payables under securities lending transactions	**11,623**	10,970	**123,585**
Interest on borrowings	**0**	0	**0**
Interest on interest rate swaps	**65,793**	49,019	**699,556**
Other interest expenses	**577**	477	**6,138**
Fees and commissions:	**26,675**	23,985	**283,627**
Fees and commissions on domestic and foreign exchanges	**2,645**	2,362	**28,133**
Other fees and commissions	**24,029**	21,623	**255,494**
Other operating expenses (Note 14)	**43,473**	120,205	**462,237**
General and administrative expenses	**1,110,767**	1,173,914	**11,810,389**
Other expenses (Note 15)	**3,588**	8,550	**38,155**
Total expenses	**1,534,335**	1,660,860	**16,314,041**
Income before income taxes	**591,552**	573,780	**6,289,766**
Income taxes (Note 25):			
Current	**227,940**	226,397	**2,423,604**
Deferred	**(10,335)**	12,532	**(109,895)**
Total income taxes	**217,604**	238,930	**2,313,709**
Net income	**¥ 373,948**	¥ 334,850	**$ 3,976,057**

	Yen		U.S. dollars (Note 1)
	2013	2012	**2013**
Net income per share (Note 29)	**¥2,492.98**	¥2,232.33	**$26.50**

See notes to financial statements.

Statements of Changes in Net Assets

For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Shareholders' Equity:			
Common stock:			
Balance at the beginning of the fiscal year	**¥ 3,500,000**	¥3,500,000	**$ 37,214,247**
Balance at the end of the fiscal year	**3,500,000**	3,500,000	**37,214,247**
Capital surplus:			
Balance at the beginning of the fiscal year	**4,296,285**	4,296,285	**45,680,871**
Balance at the end of the fiscal year	**4,296,285**	4,296,285	**45,680,871**
Retained earnings:			
Balance at the beginning of the fiscal year	**1,150,595**	894,828	**12,233,868**
Changes during the fiscal year:			
Cash dividends	**(83,713)**	(79,083)	**(890,095)**
Net income	**373,948**	334,850	**3,976,057**
Total changes during the fiscal year	**290,234**	255,767	**3,085,961**
Balance at the end of the fiscal year	**1,440,830**	1,150,595	**15,319,830**
Total shareholders' equity:			
Balance at the beginning of the fiscal year	**8,946,881**	8,691,114	**95,128,987**
Changes during the fiscal year:			
Cash dividends	**(83,713)**	(79,083)	**(890,095)**
Net income	**373,948**	334,850	**3,976,057**
Total changes during the fiscal year	**290,234**	255,767	**3,085,961**
Balance at the end of the fiscal year	**9,237,115**	8,946,881	**98,214,949**
Valuation and translation adjustments:			
Net unrealized gains on available-for-sale securities:			
Balance at the beginning of the fiscal year	**941,871**	392,251	**10,014,580**
Changes during the fiscal year:			
Net changes in items other than shareholders' equity	**1,195,394**	549,619	**12,710,200**
Total changes during the fiscal year	**1,195,394**	549,619	**12,710,200**
Balance at the end of the fiscal year	**2,137,265**	941,871	**22,724,780**
Deferred gains (losses) on hedges:			
Balance at the beginning of the fiscal year	**(70,589)**	10,269	**(750,557)**
Changes during the fiscal year:			
Net changes in items other than shareholders' equity	**(306,233)**	(80,859)	**(3,256,067)**
Total changes during the fiscal year	**(306,233)**	(80,859)	**(3,256,067)**
Balance at the end of the fiscal year	**(376,823)**	(70,589)	**(4,006,625)**
Total valuation and translation adjustments:			
Balance at the beginning of the fiscal year	**871,281**	402,520	**9,264,022**
Changes during the fiscal year:			
Net changes in items other than shareholders' equity	**889,161**	468,760	**9,454,132**
Total changes during the fiscal year	**889,161**	468,760	**9,454,132**
Balance at the end of the fiscal year	**1,760,442**	871,281	**18,718,154**
Total net assets:			
Balance at the beginning of the fiscal year	**9,818,162**	9,093,634	**104,393,009**
Changes during the fiscal year:			
Cash dividends	**(83,713)**	(79,083)	**(890,095)**
Net income	**373,948**	334,850	**3,976,057**
Net changes in items other than shareholders' equity	**889,161**	468,760	**9,454,132**
Total changes during the fiscal year	**1,179,395**	724,527	**12,540,094**
Balance at the end of the fiscal year	**¥10,997,558**	¥9,818,162	**$116,933,103**

See notes to financial statements.

Statements of Cash Flows

For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes	¥ 591,552	¥ 573,780	$ 6,289,766
Adjustments for:			
Depreciation and amortization	25,812	35,108	274,451
Losses on impairment of fixed assets	606	1,149	6,448
Net change in reserve for possible loan losses	(27)	(531)	(293)
Net change in reserve for employees' bonuses	424	387	4,513
Net change in reserve for employees' retirement benefits	265	2,464	2,818
Net change in reserve for directors' retirement benefits	27	37	291
Interest income	(1,876,142)	(2,006,939)	(19,948,356)
Interest expenses	349,831	334,205	3,719,631
Losses (gains) related to securities—net	(44,166)	19,447	(469,603)
Gains on money held in trust—net	(84,389)	(81,970)	(897,283)
Foreign exchange losses (gains)—net	(97,934)	28,590	(1,041,300)
Losses on sales and disposals of fixed assets—net	874	1,286	9,302
Net change in loans	165,141	102,604	1,755,891
Net change in deposits	460,766	982,149	4,899,160
Net change in negotiable certificates of deposit	(50,000)	460,000	(531,632)
Net change in call loans, etc.	(595,419)	(738,267)	(6,330,878)
Net change in receivables under securities borrowing transactions	(2,362,705)	(1,295,432)	(25,121,797)
Net change in payables under securities lending transactions	1,141,147	218,230	12,133,416
Net change in foreign exchange assets	(421)	2,104	(4,478)
Net change in foreign exchange liabilities	119	(25)	1,274
Interest received	2,064,065	2,196,867	21,946,467
Interest paid	(172,694)	(189,879)	(1,836,201)
Other—net	196,648	141,292	2,090,895
Subtotal	(286,616)	786,659	(3,047,493)
Income taxes paid	(242,592)	(194,183)	(2,579,401)
Net cash provided by (used in) operating activities	(529,209)	592,475	(5,626,895)
Cash flows from investing activities:			
Purchases of securities	(79,956,927)	(54,875,266)	(850,153,401)
Proceeds from sales of securities	3,117,463	1,407,734	33,146,872
Proceeds from maturity of securities	83,767,734	53,047,690	890,672,350
Investment in money held in trust	(741,790)	(3,063,706)	(7,887,189)
Proceeds from disposition of money held in trust	860,899	1,179,325	9,153,636
Purchases of tangible fixed assets	(10,446)	(31,551)	(111,070)
Proceeds from sales of tangible fixed assets	—	119	—
Purchases of intangible fixed assets	(22,988)	(23,637)	(244,430)
Other—net	(400)	(995)	(4,254)
Net cash provided by (used in) investing activities	7,013,544	(2,360,286)	74,572,513
Cash flows from financing activities:			
Cash dividends paid	(83,713)	(79,083)	(890,095)
Net cash used in financing activities	(83,713)	(79,083)	(890,095)
Effect of exchange rate changes on cash and cash equivalents	687	603	7,306
Net change in cash and cash equivalents	6,401,309	(1,846,290)	68,062,828
Cash and cash equivalents at the beginning of the fiscal year	2,159,630	4,005,921	22,962,583
Cash and cash equivalents at the end of the fiscal year (Note 17)	¥ 8,560,940	¥ 2,159,630	$ 91,025,412

See notes to financial statements.

Notes to Financial Statements

Years ended March 31, 2013 and 2012

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.

The Bank has no subsidiaries to be consolidated.

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

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

In conformity with the Japanese Financial Instruments and Exchange 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 ¥94.05 to US$1.00, the approximate rate of exchange as of March 31, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. All U.S. dollar figures in the financial statements have been rounded down to the nearest thousand dollar amount, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

2. Summary of Accounting Policies

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

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

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

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

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

Securities invested in money held in trust are stated at the fair value. The balance sheet amounts as of March 31, 2013 and 2012 are stated respectively at the average market price of the final month (March) of the fiscal years ended March 31, 2013 and 2012 for equity securities and at the market price at the balance sheet date for other securities (the costs of other securities sold are determined primarily based on the moving-average method). Unrealized gains and losses on these securities, net of applicable income taxes, are reported in a separate component of net assets.

b. **Tangible Fixed Assets**—Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets is computed by the straight-line method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 3 to 50 years for buildings and from 2 to 75 years for others.

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)
Depreciation of tangible fixed assets, except for buildings (excluding building attachments), had been computed by the declining-balance method, but effective from the beginning of the fiscal year ended March 31, 2013, the straight-line method has been applied.

This change is aiming to unify the Group's accounting policy as JAPAN POST HOLDINGS Co., Ltd., which is the parent company, changes their depreciation method into the straight-line method, as well as to allocate depreciation costs equally over years in order to match revenue and expense, reflecting the utilization and economic benefits of those equipments.

The effect of this change on the statement of income for the fiscal year ended March 31, 2013 was immaterial.

c. **Intangible Fixed Assets**—The amortization of intangible fixed assets is computed by the straight-line method. Capitalized cost of computer software developed and obtained for internal use is amortized by the straight-line method over the estimated useful life (mainly 5 years).

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

e. **Reserve for Possible Loan Losses**—Reserve for possible loan losses is provided for in accordance with the prescribed standards for write-off and reserve as described below:

Loans to normal borrowers and borrowers requiring caution, as provided by "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" (Japanese Institute of Certified Public Accountants (JICPA), Special Committee for Audits of Banks, etc., Report No. 4), are classified into certain groups, and a reserve is provided for each group based on the estimated rate of loan losses.

For loans to doubtful borrowers, a reserve is provided in the amount of loans, net of amounts expected to be collected through disposition of collateral or through execution of guarantees, and considered to be necessary based on a solvency assessment. For loans to bankrupt or substantially bankrupt borrowers, a reserve is provided based on the amount of loans, net of amounts expected to be collected through disposition of collateral or to be recoverable under guarantees.

All loans are assessed initially by the marketing and other departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the marketing and other departments, reviews these self-assessments.

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

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

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

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

i. **Derivatives and Hedging Activities**—Derivatives are stated at fair value. Changes in the fair value of derivative transactions are recognized in the statements of income.

Hedging against interest rate risks:
The Bank uses interest rate swaps to reduce its exposure to interest rate risk on its monetary assets and liabilities. In principle, the Bank applies the deferred hedge accounting method for hedges of interest rate risk on its monetary assets and liabilities.

As for portfolio hedges on groups of large-volume, small-value monetary debts, the Bank applies the deferred hedge accounting method as stipulated in "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (Report No. 24 of the Industry Audit Committee of JICPA).

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

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

For some financial assets and liabilities, the Bank applies special accounting treatment for interest rate swaps. Hedging against foreign exchange fluctuation risks:

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

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.

j. **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.

k. **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.

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

m. **Accounting Standard and Guidance That Are Yet to Be Adopted**—In accordance with the policy of JAPAN POST HOLDINGS Co., Ltd., which is the Parent company, the Bank plans to adopt the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, issued on May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012), as follows:

(1) Overview

From the standpoint of improving financial reporting and considering international trends, the aforementioned accounting standard and guidance principally reflect the following: (a) Changes in the treatment of actuarial gains and losses and past service costs to be recognized in profit or loss; (b) Enhanced disclosures; and (c) Amendments to the determination of projected benefit obligation and current service costs.

(2) Planned Effective Dates

The Bank does not plan to adopt the above item (a) because the Bank does not prepare consolidated financial statements. The Bank plans to adopt the above item (b) effective from financial statements for the end of the fiscal year beginning on April 1, 2013. The Bank plans to adopt the above item (c) effective from the start of the fiscal year beginning on April 1, 2014.

(3) Effect of Adopting this Accounting Standard and Guidance

The Bank is currently evaluating the effect of adopting this accounting standard and guidance.

3. Foreign Exchanges

Foreign exchanges as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Assets:			
Due from foreign banks	¥3,018	¥2,603	$32,098
Foreign bills bought and foreign exchanges purchased	32	27	349
Total	¥3,051	¥2,630	$32,448
Liabilities:			
Foreign bills sold	¥ 32	¥ 34	$ 346
Foreign bills payable	239	117	2,550
Total	¥ 272	¥ 152	$ 2,896

4. Other Assets

Other assets as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Domestic exchange settlement accounts—debit	¥ 3,470	¥ 4,322	$ 36,897
Prepaid expenses	10,898	15,215	115,877
Accrued income	362,754	373,672	3,857,037
Derivatives other than trading	7,671	29,305	81,573
Other	1,251,810	1,381,683	13,310,055
Total	¥1,636,605	¥1,804,199	$17,401,440

5. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Buildings	¥105,336	¥103,951	$1,120,009
Land	26,991	26,991	286,987
Construction in progress	19	41	212
Other	170,753	167,850	1,815,560
Subtotal	303,101	298,835	3,222,770
Accumulated depreciation	148,218	138,664	1,575,957
Total	¥154,882	¥160,171	$1,646,812

6. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Software	¥141,374	¥ 97,132	$1,503,179
Other	9,252	41,594	98,377
Subtotal	150,626	138,727	1,601,557
Accumulated depreciation	86,033	72,740	914,767
Total	¥ 64,592	¥ 65,986	$ 686,789

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, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Assets pledged as collateral:			
Securities	**¥37,240,751**	¥41,832,604	**$395,967,584**
Liabilities corresponding to assets pledged as collateral:			
Deposits	**29,974,390**	35,153,099	**318,706,974**
Payables under securities lending transactions	**9,443,239**	8,302,091	**100,406,585**
Acceptances and guarantees	**145,000**	160,000	**1,541,733**

Additionally, securities as of March 31, 2013 and 2012 amounting to ¥4,900,344 million ($52,103,612 thousand) and ¥4,020,287 million, respectively, were pledged as collateral for transactions such as Bank of Japan overdrafts, exchange settlement transactions, or substitute securities for derivatives and margin deposit of future transactions.

As of March 31, 2013 and 2012, guarantee deposits amounting to ¥1,697 million ($18,047 thousand) and ¥1,515 million, respectively, are included in "Other assets" in the accompanying balance sheets.

9. Deposits

Deposits as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Transfer deposits	**¥ 10,209,954**	¥ 9,474,107	**$ 108,558,793**
Ordinary deposits	**44,900,184**	44,974,076	**477,407,592**
Savings deposits	**402,558**	411,182	**4,280,261**
Time deposits	**18,817,949**	18,426,695	**200,084,526**
Special deposits*	**29,958,707**	35,139,156	**318,540,218**
TEIGAKU deposits**	**71,560,721**	66,950,563	**760,879,543**
Other deposits	**246,060**	259,588	**2,616,273**
Total	**¥176,096,136**	¥175,635,370	**$1,872,367,209**

* "Special deposits" represent deposits received from the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative agency.
** "TEIGAKU deposits" are a kind of 10-year-maturity time deposit unique to JAPAN POST BANK. The key feature is that depositors have the option to withdraw money anytime after six months from the inception of the deposits. The effective interest rates put on deposits rise in a staircase pattern, with duration of up to three years.

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

10. Other Liabilities

Other liabilities as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Domestic exchange settlement accounts—credit	**¥ 7,817**	¥ 8,784	**$ 83,117**
Income taxes payable	**37,541**	42,301	**399,163**
Accrued expenses	**1,091,251**	919,086	**11,602,891**
Unearned income	**122**	49	**1,307**
Derivatives other than trading	**683,309**	187,374	**7,265,380**
Asset retirement obligations	**301**	147	**3,201**
Other	**325,566**	219,596	**3,461,635**
Total	**¥2,145,910**	¥1,377,341	**$22,816,697**

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, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
One year or less	**¥ 5,625**	¥ 8,785	**$ 59,817**
Over one year	**6,822**	11,856	**72,539**
Total	**¥12,448**	¥20,641	**$132,357**

12. Other Operating Income

Other operating income for the fiscal years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Gains on sales of bonds	**¥47,403**	¥24,398	**$504,020**
Income from derivatives other than for trading or hedging	**120**	—	**1,286**
Total	**¥47,524**	¥24,398	**$505,306**

13. Other Income

Other income for the fiscal years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Gains on money held in trusts	**¥84,391**	¥86,266	**$897,299**
Reversal of reserve for possible loan losses	**17**	298	**186**
Recoveries of written-off claims	**17**	21	**188**
Gains on sales and disposals of fixed assets	**—**	44	**—**
Other	**2,993**	4,226	**31,824**
Total	**¥87,419**	¥90,856	**$929,499**

14. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Losses on foreign exchanges	**¥40,236**	¥ 67,971	**$427,820**
Losses on sales of bonds	**3,236**	32,134	**34,417**
Losses on devaluation of bonds	**—**	11,711	**—**
Expenses on derivatives other than for trading or hedging	**—**	8,387	**—**
Total	**¥43,473**	¥120,205	**$462,237**

15. Other Expenses

Other expenses for the fiscal years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Losses on money held in trust	**¥ 1**	¥4,296	**$ 16**
Losses on sales and disposals of fixed assets	**874**	1,330	**9,302**
Losses on impairment of fixed assets	**606**	1,149	**6,448**
Group restructuring expenses	**501**	—	**5,335**
Other	**1,603**	1,774	**17,052**
Total	**¥3,588**	¥8,550	**$38,155**

16. Shareholders' Equity

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

The Corporate Law of Japan allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon approval of the board of directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, capital reserve, or legal reserve that could be transferred to retained earnings or other capital surplus other than capital reserve upon approval of such transfer at the annual general meeting of shareholders.

The maximum amount that the Bank is able to distribute as dividends subject to the approval of the 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 outstanding shares issued for the fiscal years ended March 31, 2013 and 2012 were as follows:

	Thousand shares				
	Authorized	Number of Shares Outstanding at the End of Previous Period	Increase	Decrease	Number of Shares Outstanding at the End of Current Period
March 31, 2013					
Common stock	**600,000**	**150,000**	**—**	**—**	**150,000**
March 31, 2012					
Common stock	600,000	150,000	—	—	150,000

Dividends distributed during the fiscal year ended March 31, 2013:

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 8, 2012	Common stock	**¥83,713**	**$890,095**	**¥558.09**	**$5.93**	**March 31, 2012**	**May 9, 2012**

Dividends distributed during the fiscal year ended March 31, 2012:

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 20, 2011	Common stock	¥79,083	¥527.22	March 31, 2011	May 23, 2011

Of dividends whose record date was included in the fiscal years ended March 31, 2013 and 2012, those whose effective date occurs after the fiscal year's closing

		2013					
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 9, 2013	Common stock	**¥93,487**	**$994,019**	**¥623.25**	**$6.62**	**March 31, 2013**	**May 10, 2013**

		2012			
Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 8, 2012	Common stock	¥83,713	¥558.09	March 31, 2012	May 9, 2012

17. 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, 2013 and 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Cash and due from banks	**¥9,195,940**	¥2,744,630	**$97,777,140**
Due from banks, –negotiable certificates of deposit in other banks	**(635,000)**	(585,000)	**(6,751,727)**
Cash and cash equivalents	**¥8,560,940**	¥2,159,630	**$91,025,412**

18. Leases

Operating lease transactions:

Future lease payments on noncancelable operating leases as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Due within one year	**¥1,157**	¥1,200	**$12,304**
Due over one year	**2,685**	1,150	**28,558**
Total	**¥3,843**	¥2,350	**$40,862**

19. Securities

As of the end of the fiscal years ended March 31, 2013 and 2012, the Bank had the rights to sell or pledge without restriction for securities held amounting to ¥8,150,664 million ($86,663,101 thousand) and ¥5,792,636 million, respectively, among the securities borrowed under the contract of loan for consumption (securities borrowing transactions) and those borrowed with cash collateral under securities lending agreements.

20. Financial Instruments

a. Notes related to the conditions of financial instruments

(1) Policy for handling financial instruments

The Bank's operations comprise deposit-taking up to designated limits, syndicated loans and other lending, securities investment, domestic and foreign exchange, retail sales of Japanese Government Bonds, securities 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 mainly consist of Japanese Government Bonds, foreign bonds, etc., as well as by making loans. Most of these financial assets and liabilities are subject to price fluctuations associated with interest rate movements and other risks, making it necessary to manage them so that future interest rate and foreign exchange rate movements do not have a negative impact on the Bank including affecting the stability of its earnings. The Bank therefore strives to appropriately manage its earnings and risks using integrated asset-liability management (ALM), and as part of this, engages in derivative transactions including interest rate swaps, currency swaps and others.

Since its incorporation in October 2007, the Bank has diversified its earnings sources through investment diversification and consequently the outstanding amount of financial assets with credit risk has steadily grown. However, these investments are made with careful regard to the securities in which the Bank invests and the amount invested so that the occurrence of a credit risk event or other factors will not result in excessive losses.

(2) Details of financial instruments and associated risks

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

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

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

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

(3) Risk management structure for financial instruments

a) Basic policy

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

b) Credit risk

The Bank manages credit risk using Value at Risk (VaR: a statistical method that identifies the maximum loss possible based on designated probabilities in the financial assets and liabilities held) based on internal guidelines to quantitatively measure the amount of credit risk. The Bank sets appropriate risk limits to reflect risk capital allocations and then ensures the amounts of credit risk do not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

In order to control credit concentration, the Bank has set credit limits for individual companies and corporate groups according to their creditworthiness and monitors the portfolios in an appropriate manner by adhering to these limits. The Risk Management Department oversees the Bank's internal credit rating system, self-assessments of loans, and other credit risk management activities. The Credit Office assigns internal credit ratings, monitors borrower status, watches large borrowers, and judges individual loans.

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

c) Market risk

As per the Bank's ALM policy, the Bank makes investments in instruments including Japanese and foreign bonds and equities as part of its banking operations, and these investments may therefore be affected by interest rate, exchange rate, and share price 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 Value at Risk (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%; observation period of 1,200 days (five years)). As of March 31, 2013 and 2012, the Bank calculates the amounts of its market risk (estimated potential losses from such risk) at ¥1,502,106 million ($15,971,356 thousand) and ¥1,910,470 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.

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

In addition, the Bank has a distinctive asset and liability structure, with Japanese Government Bonds accounting for the majority of its assets and TEIGAKU deposits for a majority of its liabilities. Recognizing the importance of the impact of interest rate risk on the Bank's profit structure, the Bank closely monitors and carefully controls interest rate risk by performing earnings simulations based on various market scenarios as part of its ALM.

Policy with regard to its ALM is discussed and determined at meetings of the Executive Committee, and the status of its implementation is reported to the ALM Committee and the Executive Committee.

The Bank manages market risk that arises from derivative transactions by separating the responsibilities of executing transactions, evaluating the effectiveness of hedges and operational management, and by establishing an internal control structure, based on internal guidelines related to derivatives.

d) Funding liquidity risk

The Bank's funding liquidity risk management consists primarily of closely monitoring funding conditions and taking timely and appropriate actions. It then maintains appropriate liquidity reserves for unexpected fund outflows.

Through these steps, the Bank sets, monitors, and analyzes its funding liquidity indicators to ensure stable liquidity management.

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

(4) Supplementary explanation of items related to the fair value of financial instruments

The Bank determines the fair value of financial instruments based on the market price, but could use a rational estimate in cases where a market price does not exist. Various assumptions are used in these price estimates, and these prices may differ based on different assumptions and other factors.

b. Notes related to the fair values of financial instruments

The amounts on the balance sheets, the fair values, and the differences between the two as of March 31, 2013 and 2012 were as follows. The fair values for unlisted equities are left out of the table below as it is extremely difficult to determine the fair value for these equities (see Note 2).

	Millions of yen		
	2013		
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 9,195,940	¥ 9,195,940	¥ —
(2) Call loans	1,837,733	1,837,733	—
(3) Receivables under securities borrowing transactions	8,141,533	8,141,533	—
(4) Monetary claims bought	58,835	58,835	—
(5) Trading account securities:			
Securities classified as trading purposes	247	247	—
(6) Money held in trust	3,038,863	3,038,863	—
(7) Securities:			
Held-to-maturity securities	98,714,603	101,981,887	3,267,283
Available-for-sale securities	72,881,039	72,881,039	—
(8) Loans:	3,967,999		
Reserve for possible loan losses**	(187)		
	3,967,811	4,095,662	127,850
Total assets	¥197,836,609	¥201,231,743	¥3,395,133
(1) Deposits	¥176,096,136	¥176,855,753	¥ 759,617
(2) Payables under securities lending transactions	9,443,239	9,443,239	—
Total liabilities	¥185,539,375	¥186,298,992	¥ 759,617
Derivative transactions***:			
For which hedge accounting is not applied	¥ (11)	¥ (11)	¥ —
For which hedge accounting is applied	(675,625)	(675,625)	—
Total derivative transactions	¥ (675,637)	¥ (675,637)	¥ —

	Millions of yen		
	2012		
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 2,744,630	¥ 2,744,630	¥ —
(2) Call loans	1,206,290	1,206,290	—
(3) Receivables under securities borrowing transactions	5,778,828	5,778,828	—
(4) Monetary claims bought	94,867	94,867	—
(5) Trading account securities:			
Securities classified as trading purposes	216	216	—
(6) Money held in trust	3,715,446	3,715,446	—
(7) Securities:			
Held-to-maturity securities	104,340,202	107,409,610	3,069,407
Available-for-sale securities	71,612,190	71,612,190	—
(8) Loans:	4,134,547		
Reserve for possible loan losses**	(188)		
	4,134,359	4,230,877	96,518
Total assets	¥193,627,032	¥196,792,957	¥3,165,925
(1) Deposits	¥175,635,370	¥176,243,909	¥ 608,539
(2) Payables under securities lending transactions	8,302,091	8,302,091	—
Total liabilities	¥183,937,461	¥184,546,001	¥ 608,539
Derivative transactions***:			
For which hedge accounting is not applied	¥ 553	¥ 553	¥ —
For which hedge accounting is applied	(158,622)	(158,622)	—
Total derivative transactions	¥ (158,068)	¥ (158,068)	¥ —

	Thousands of U.S. dollars		
	2013		
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	**$ 97,777,140**	**$ 97,777,140**	**$ —**
(2) Call loans	**19,539,960**	**19,539,960**	**—**
(3) Receivables under securities borrowing transactions	**86,566,016**	**86,566,016**	**—**
(4) Monetary claims bought	**625,580**	**625,580**	**—**
(5) Trading account securities:			
Securities classified as trading purposes	**2,636**	**2,636**	**—**
(6) Money held in trust	**32,311,150**	**32,311,150**	**—**
(7) Securities:			
Held-to-maturity securities	**1,049,597,064**	**1,084,336,920**	**34,739,855**
Available-for-sale securities	**774,918,017**	**774,918,017**	**—**
(8) Loans:	**42,190,314**		
Reserve for possible loan losses**	**(1,991)**		
	42,188,322	**43,547,709**	**1,359,386**
Total assets	**$2,103,525,889**	**$2,139,625,131**	**$36,099,242**
(1) Deposits	**$1,872,367,209**	**$1,880,443,950**	**$ 8,076,740**
(2) Payables under securities lending transactions	**100,406,585**	**100,406,585**	**—**
Total liabilities	**$1,972,773,795**	**$1,980,850,535**	**$ 8,076,740**
Derivative transactions***:			
For which hedge accounting is not applied	**$ (122)**	**$ (122)**	**$ —**
For which hedge accounting is applied	**(7,183,684)**	**(7,183,684)**	**—**
Total derivative transactions	**$ (7,183,807)**	**$ (7,183,807)**	**$ —**

* Insignificant balance sheet accounts are not disclosed.
** Reserve for possible loan losses is the general reserve for possible loan losses corresponding to loans.
*** Figures are total derivative transactions recorded as other assets or other liabilities.
The net amount is shown for net claims and obligations arising from derivative transactions, with totals that are net obligations shown in parentheses.
Hedges covered by designation of foreign exchange forward contracts, 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.

(Note 1)

Assets

(1) Cash and due from banks

The fair value of due from banks that do not have a maturity date is approximately the same as their book value, and therefore the Bank uses the book value as the fair value. For due from banks that have a maturity date, their contract tenors are short term (within one year) and their fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

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

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

(4) Monetary claims bought

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

(5) Trading account securities

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

(6) Money held in trust

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

Notes pertaining to money held in trust by holding purpose are included in the below "g. Money held in trust" of Note 21. Fair Value Information for Securities.

(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 the broker, etc., as the fair value. The Bank uses the funds' unit price for investment trust as the fair value.

Notes pertaining to securities by holding purpose are included in the below Note 21. 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) Payables under securities lending transactions

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

Derivative transactions

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

(Note 2)

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, 2013 and 2012 was as follows. The fair value information for these financial instruments is not included in "Assets (7) Securities."

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Type	Amount on the balance sheet	Amount on the balance sheet	Amount on the balance sheet
Securities of affiliates (unlisted)	¥935	¥900	$9,941

(Note 3)

Scheduled redemption amounts of monetary claims and securities with a maturity date subsequent to the fiscal years ended March 31, 2013 and 2012 were as follows:

	Millions of yen					
	2013					
	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	¥ 9,072,096	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	1,837,733	—	—	—	—	—
Receivables under securities borrowing transactions	8,141,533	—	—	—	—	—
Monetary claims bought	409	986	3,126	11,800	10,000	31,513
Securities:	34,829,884	49,124,597	29,055,702	19,577,592	28,998,296	3,467,100
Held-to-maturity securities:	19,097,031	33,933,415	19,796,550	10,887,190	14,849,400	—
Japanese Government Bonds	17,148,200	31,286,400	18,039,940	9,351,100	14,849,400	—
Japanese local government bonds	893,340	845,725	341,284	—	—	—
Japanese corporate bonds	966,636	1,732,799	1,351,014	1,503,657	—	—
Other securities	88,854	68,490	64,311	32,433	—	—
Available-for-sale securities (with maturity date):	15,732,852	15,191,181	9,259,152	8,690,402	14,148,896	3,467,100
Japanese Government Bonds	13,262,928	9,001,417	4,747,716	5,010,511	11,563,767	2,317,500
Japanese local government bonds	168,917	730,660	493,559	1,182,542	926,900	35,804
Japanese corporate bonds	1,219,301	1,752,796	719,143	917,200	475,940	1,029,437
Other securities	1,081,705	3,706,307	3,298,733	1,580,148	1,182,288	84,358
Loans	1,304,325	935,022	567,162	491,623	396,399	268,827
Total	¥55,185,983	¥50,060,606	¥29,625,990	¥20,081,016	¥29,404,695	¥3,767,441

	Millions of yen					
	2012					
	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	¥ 2,623,119	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	1,206,290	—	—	—	—	—
Receivables under securities borrowing transactions	5,778,828	—	—	—	—	—
Monetary claims bought	3,302	4,448	5,754	15,505	10,000	54,848
Securities:	43,521,288	44,509,863	31,635,264	21,697,706	25,261,869	4,645,498
Held-to-maturity securities:	22,573,562	31,121,693	24,427,954	13,288,397	12,737,398	—
Japanese Government Bonds	20,908,480	28,049,600	22,614,340	11,348,000	12,235,800	—
Japanese local government bonds	418,713	1,335,414	700,513	44,622	—	—
Japanese corporate bonds	1,207,194	1,619,186	1,041,414	1,890,084	501,598	—
Other securities	39,175	117,492	71,686	5,690	—	—
Available-for-sale securities (with maturity date):	20,947,725	13,388,170	7,207,309	8,409,309	12,524,471	4,645,498
Japanese Government Bonds	19,345,620	8,991,378	3,198,113	4,771,424	8,913,037	3,401,100
Japanese local government bonds	103,044	449,895	609,790	734,350	1,178,236	37,902
Japanese corporate bonds	986,928	1,670,251	1,087,879	808,240	799,940	1,113,715
Other securities	512,132	2,276,645	2,311,527	2,095,294	1,633,257	92,780
Loans	808,404	1,206,845	789,324	407,967	542,222	374,394
Total	¥53,941,234	¥45,721,157	¥32,430,342	¥22,121,179	¥25,814,092	¥5,074,741

	Thousands of U.S. dollars					
	2013					
	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	**$ 96,460,354**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Call loans	**19,539,960**	**—**	**—**	**—**	**—**	**—**
Receivables under securities borrowing transactions	**86,566,016**	**—**	**—**	**—**	**—**	**—**
Monetary claims bought	**4,352**	**10,487**	**33,239**	**125,466**	**106,326**	**335,074**
Securities:	**370,333,701**	**522,324,268**	**308,938,888**	**208,161,536**	**308,328,508**	**36,864,434**
Held-to-maturity securities:	**203,051,907**	**360,801,869**	**210,489,633**	**115,759,595**	**157,888,357**	**—**
Japanese Government Bonds	**182,330,675**	**332,657,097**	**191,812,227**	**99,426,900**	**157,888,357**	**—**
Japanese local government bonds	**9,498,574**	**8,992,298**	**3,628,750**	**—**	**—**	**—**
Japanese corporate bonds	**10,277,894**	**18,424,237**	**14,364,854**	**15,987,846**	**—**	**—**
Other securities	**944,763**	**728,236**	**683,800**	**344,848**	**—**	**—**
Available-for-sale securities (with maturity date):	**167,281,793**	**161,522,398**	**98,449,254**	**92,401,940**	**150,440,150**	**36,864,434**
Japanese Government Bonds	**141,019,973**	**95,708,848**	**50,480,766**	**53,274,979**	**122,953,400**	**24,641,148**
Japanese local government bonds	**1,796,041**	**7,768,856**	**5,247,845**	**12,573,548**	**9,855,405**	**380,691**
Japanese corporate bonds	**12,964,395**	**18,636,852**	**7,646,390**	**9,752,259**	**5,060,499**	**10,945,644**
Other securities	**11,501,383**	**39,407,841**	**35,074,252**	**16,801,153**	**12,570,845**	**896,950**
Loans	**13,868,428**	**9,941,758**	**6,030,433**	**5,227,260**	**4,214,770**	**2,858,349**
Total	**$586,772,812**	**$532,276,514**	**$315,002,560**	**$213,514,263**	**$312,649,604**	**$40,057,857**

(Note 4)

Scheduled repayment amounts of other interest-bearing liabilities subsequent to fiscal years ended March 31, 2013 and 2012 were as follows:

	Millions of yen					
	2013					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	**¥79,766,298**	**¥5,397,643**	**¥26,816,040**	**¥22,363,442**	**¥41,752,711**	**¥—**
Payables under securities lending transactions	**9,443,239**	**—**	**—**	**—**	**—**	**—**
Total	**¥89,209,537**	**¥5,397,643**	**¥26,816,040**	**¥22,363,442**	**¥41,752,711**	**¥—**

	Millions of yen					
	2012					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	¥79,890,737	¥6,667,996	¥11,563,714	¥35,104,295	¥42,408,626	¥—
Payables under securities lending transactions	8,302,091	—	—	—	—	—
Total	¥88,192,829	¥6,667,996	¥11,563,714	¥35,104,295	¥42,408,626	¥—

	Thousands of U.S. dollars					
	2013					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	**$848,126,513**	**$57,391,209**	**$285,125,361**	**$237,782,486**	**$443,941,637**	**$—**
Payables under securities lending transactions	**100,406,585**	**—**	**—**	**—**	**—**	**—**
Total	**$948,533,099**	**$57,391,209**	**$285,125,361**	**$237,782,486**	**$443,941,637**	**$—**

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

21. Fair Value Information for Securities

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, trust beneficiary interests recorded under monetary claims bought and money held in trust, as well as Japanese Government Bonds, Japanese local government bonds, Japanese corporate bonds, and other securities listed on the balance 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, 2013 and 2012.

b. Held-to-maturity securities

	Type	Millions of yen 2013 Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	**¥89,247,254**	**¥ 92,244,168**	**¥2,996,914**
	Japanese local government bonds	**2,078,294**	**2,131,151**	**52,856**
	Japanese corporate bonds	**5,488,581**	**5,697,189**	**208,608**
	Others	**254,090**	**300,789**	**46,699**
	Total	**97,068,219**	**100,373,299**	**3,305,079**
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	**1,568,406**	**1,568,344**	**(62)**
	Japanese local government bonds	**—**	**—**	**—**
	Japanese corporate bonds	**77,978**	**77,953**	**(24)**
	Others	**—**	**—**	**—**
	Total	**1,646,384**	**1,646,297**	**(87)**
Total		**¥98,714,603**	**¥102,019,596**	**¥3,304,992**

	Type	Millions of yen 2012 Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	¥ 95,106,378	¥ 97,896,746	¥2,790,367
	Japanese local government bonds	2,494,009	2,570,416	76,407
	Japanese corporate bonds	6,006,702	6,200,069	193,366
	Others	178,096	188,019	9,922
	Total	103,785,187	106,855,251	3,070,063
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	229,998	229,993	(5)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	269,069	268,967	(101)
	Others	55,947	54,184	(1,762)
	Total	555,014	553,145	(1,869)
Total		¥104,340,202	¥107,408,396	¥3,068,194

	Type	Thousands of U.S. dollars 2013 Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	**$ 948,934,120**	**$ 980,799,244**	**$31,865,123**
	Japanese local government bonds	**22,097,760**	**22,659,769**	**562,008**
	Japanese corporate bonds	**58,358,119**	**60,576,176**	**2,218,056**
	Others	**2,701,648**	**3,198,191**	**496,543**
	Total	**1,032,091,649**	**1,067,233,381**	**35,141,732**
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	**16,676,302**	**16,675,640**	**(661)**
	Japanese local government bonds	**—**	**—**	**—**
	Japanese corporate bonds	**829,113**	**828,848**	**(264)**
	Others	**—**	**—**	**—**
	Total	**17,505,415**	**17,504,489**	**(925)**
Total		**$1,049,597,064**	**$1,084,737,871**	**$35,140,806**

c. Investments in subsidiaries and affiliates

As of March 31, 2013 and 2012, there were no investments in subsidiaries.

The securities of affiliates (¥935 million ($9,941 thousand) as of March 31, 2013 and ¥900 million as of March 31, 2012) 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 difference were not disclosed.

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

		Millions of yen		
		2013		
	Type	Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	**¥50,333,216**	**¥48,736,260**	**¥1,596,955**
	Japanese Government Bonds	**41,223,647**	**39,942,346**	**1,281,301**
	Japanese local government bonds	**3,705,919**	**3,560,666**	**145,253**
	Japanese corporate bonds	**5,403,649**	**5,233,248**	**170,401**
	Others	**14,437,296**	**13,029,183**	**1,408,113**
	Total	**64,770,513**	**61,765,444**	**3,005,069**
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	**7,064,086**	**7,081,794**	**(17,708)**
	Japanese Government Bonds	**6,159,424**	**6,159,931**	**(507)**
	Japanese local government bonds	**21,885**	**21,901**	**(15)**
	Japanese corporate bonds	**882,777**	**899,961**	**(17,184)**
	Others	**1,740,275**	**1,763,636**	**(23,361)**
	Total	**8,804,361**	**8,845,431**	**(41,069)**
Total		**¥73,574,875**	**¥70,610,875**	**¥2,963,999**

		Millions of yen		
		2012		
	Type	Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	¥44,710,655	¥43,709,135	¥1,001,520
	Japanese Government Bonds	35,572,628	34,803,998	768,629
	Japanese local government bonds	3,211,041	3,114,688	96,352
	Japanese corporate bonds	5,926,986	5,790,447	136,538
	Others	10,016,347	9,634,637	381,709
	Total	54,727,003	53,343,772	1,383,230
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	14,704,962	14,763,858	(58,896)
	Japanese Government Bonds	14,030,810	14,032,690	(1,879)
	Japanese local government bonds	30,535	30,570	(34)
	Japanese corporate bonds	643,616	700,598	(56,981)
	Others	2,860,091	2,944,166	(84,075)
	Total	17,565,053	17,708,025	(142,971)
Total		¥72,292,057	¥71,051,798	¥1,240,259

Type		Thousands of U.S. dollars		
		2013		
		Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	**$535,175,085**	**$518,195,225**	**$16,979,860**
	Japanese Government Bonds	**438,316,297**	**424,692,678**	**13,623,618**
	Japanese local government bonds	**39,403,714**	**37,859,291**	**1,544,423**
	Japanese corporate bonds	**57,455,073**	**55,643,255**	**1,811,818**
	Others	**153,506,612**	**138,534,647**	**14,971,965**
	Total	**688,681,697**	**656,729,872**	**31,951,825**
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	**75,109,903**	**75,298,187**	**(188,283)**
	Japanese Government Bonds	**65,490,951**	**65,496,351**	**(5,399)**
	Japanese local government bonds	**232,699**	**232,867**	**(167)**
	Japanese corporate bonds	**9,386,252**	**9,568,968**	**(182,716)**
	Others	**18,503,724**	**18,752,119**	**(248,394)**
	Total	**93,613,628**	**94,050,306**	**(436,678)**
Total		**$782,295,326**	**$750,780,179**	**$31,515,147**

Note: Within the difference of Available-for-sale securities whose fair value is available, the amount included in statements of income due to applying fair value hedge accounting for the fiscal years ended March 31, 2013 and 2012 amounted to ¥133,725 million ($1,421,856 thousand) and ¥11,310 of profit, respectively.

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

Held-to-maturity securities sold during the fiscal years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		
	2013		
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	**¥972,574**	**¥973,195**	**¥621**
Total	**¥972,574**	**¥973,195**	**¥621**

	Millions of yen		
	2012		
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	¥50,015	¥50,124	¥109
Total	¥50,015	¥50,124	¥109

	Thousands of U.S. dollars		
	2013		
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	**$10,341,032**	**$10,347,639**	**$6,606**
Total	**$10,341,032**	**$10,347,639**	**$6,606**

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

Realized gains (losses) are included in "Interest and dividends on securities" in the accompanying statements of income.

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

Available-for-sale securities sold during the fiscal years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		
	2013		
	Sales proceeds	Total realized gains	Total realized losses
Bonds:	**¥1,487,777**	**¥15,402**	**¥ (77)**
Japanese Government Bonds	**1,398,345**	**14,318**	**—**
Japanese corporate bonds	**89,431**	**1,084**	**(77)**
Others	**657,111**	**32,000**	**(3,159)**
Total	**¥2,144,889**	**¥47,403**	**¥(3,236)**

	Millions of yen		
	2012		
	Sales proceeds	Total realized gains	Total realized losses
Bonds:	¥ 614,479	¥10,653	¥ (2,798)
Japanese Government Bonds	394,563	7,178	(2,219)
Japanese corporate bonds	219,916	3,475	(579)
Others	743,229	13,744	(29,336)
Total	¥1,357,709	¥24,398	¥(32,134)

	Thousands of U.S. dollars		
	2013		
	Sales proceeds	Total realized gains	Total realized losses
Bonds:	**$15,819,010**	**$163,769**	**$ (825)**
Japanese Government Bonds	**14,868,112**	**152,239**	**—**
Japanese corporate bonds	**950,898**	**11,529**	**(825)**
Others	**6,986,829**	**340,251**	**(33,591)**
Total	**$22,805,839**	**$504,020**	**$(34,417)**

Note: 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 at fair value on the balance sheet and charges valuation differences to income (hereafter "impairment losses") in the year in which they are recognized. No impairment loss was recognized for the fiscal year ended March 31, 2013. The amount of impairment losses for the fiscal year ended March 31, 2012 amounted to ¥11,711 million.

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

a) Securities other than bonds
- 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

b) Bonds
- Securities whose fair value is 70% or less than the acquisition cost

g. Money held in trust

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, 2013 and 2012.

Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2013 and 2012 were as follows:

	Millions of yen				
	2013				
	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	**¥3,038,863**	**¥2,541,188**	**¥497,674**	**¥510,700**	**¥(13,025)**

	Millions of yen				
	2012				
	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	¥3,715,446	¥3,476,818	¥238,628	¥272,865	¥(34,237)

	Thousands of U.S. dollars				
	2013				
	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	**$32,311,150**	**$27,019,552**	**$5,291,597**	**$5,430,095**	**$(138,497)**

Note: For the money held in trust (excluding money held in trust for the purpose of trading) with market quotations 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 at fair value on the balance sheet and charges valuation differences to income (hereafter "impairment losses") in the year in which they are recognized. The amount of impairment losses for the fiscal years ended March 31, 2013 and 2012 amounted to ¥10,601 million ($112,725 thousand) and ¥17,352 million, respectively.

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

a) Securities other than bonds
- 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

b) Bonds
- Securities whose fair value is 70% or less than the acquisition cost

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

Unrealized gains (losses) on available-for-sale securities as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Valuation differences:	**¥ 3,327,948**	¥1,467,577	**$ 35,384,888**
Available-for-sale securities	**2,830,273**	1,228,949	**30,093,290**
Available-for-sale money held in trust	**497,674**	238,628	**5,291,597**
Deferred tax assets (liabilities)	**(1,190,683)**	(525,706)	**(12,660,107)**
Unrealized gains (losses) on available-for-sale securities	**¥ 2,137,265**	¥ 941,871	**$ 22,724,780**

Note: Within the valuation difference of Available-for-sale securities, the amount included in statements of income due to applying fair value hedge accounting for the fiscal years ended March 31, 2013 and 2012 amounted to ¥133,725 million ($1,421,856 thousand) and ¥11,310 million of profit, respectively.

22. Derivatives

a. Derivatives for which hedge accounting is not applied as of March 31, 2013 and 2012

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

(1) Interest rate-related derivatives: None as of March 31, 2013 and 2012

(2) Currency-related derivatives as of March 31, 2013 and 2012:

The Bank had the following derivative instruments outstanding as of March 31, 2013 and 2012:

Currency-related derivatives (as of March 31, 2013)

		Millions of yen			
		2013			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—bought	**¥1,535**	**¥—**	**¥(11)**	**¥(11)**
Total		**——**	**——**	**¥(11)**	**¥(11)**

Currency-related derivatives (as of March 31, 2012)

		Millions of yen			
		2012			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—sold	¥4,298	¥4,138	¥441	¥441
	Foreign exchange forward contracts—bought	7,933	—	112	112
Total		——	——	¥553	¥553

Currency-related derivatives (as of March 31, 2013)

		Thousands of U.S. dollars			
		2013			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—bought	**$16,327**	**$—**	**$(122)**	**$(122)**
Total		**——**	**——**	**$(122)**	**$(122)**

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 present value of future cash flows.

(3) Equity-related derivatives: None as of March 31, 2013 and 2012

(4) Bond-related derivatives: None as of March 31, 2013 and 2012

(5) Commodity-related derivatives: None as of March 31, 2013 and 2012

(6) Credit derivatives: None as of March 31, 2013 and 2012

b. Derivatives for which hedge accounting is applied as of March 31, 2013 and 2012

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

(1) Interest rate-related derivatives

			Millions of yen		
			2013		
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)	**¥2,836,790**	**¥2,836,790**	**¥(236,571)**
	Receive fixed swaps, pay floating swaps	Deposits	**1,050,000**	**—**	**801**
Total			**——**	**——**	**¥(235,770)**

			Millions of yen		
			2012		
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)	¥2,643,800	¥2,643,800	¥(114,252)
	Receive fixed swaps, pay floating swaps	Deposits	1,500,000	1,050,000	630
Total			——	——	¥(113,622)

			Thousands of U.S. dollars		
			2013		
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)	**$30,162,573**	**$30,162,573**	**$(2,515,384)**
	Receive fixed swaps, pay floating swaps	Deposits	**11,164,274**	**—**	**8,522**
Total			**——**	**——**	**$(2,506,861)**

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 present value of future cash flows.

(2) Currency-related derivatives

Hedge accounting method	Type	Primary hedged instrument	Millions of yen 2013 Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	**¥ 375,757**	**¥ 244,301**	**¥ (32,290)**
	Currency swap		**2,261,381**	**2,125,693**	**(374,319)**
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	**798,644**	**—**	**(33,244)**
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities: (Foreign securities)	**189,995**	**115,726**	
	Currency swap		**80,198**	**59,220**	**(Note 3)**
Total			**——**	**——**	**¥(439,855)**

Hedge accounting method	Type	Primary hedged instrument	Millions of yen 2012 Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	¥ 418,386	¥ 386,787	¥ 20,277
	Currency swap		1,304,485	1,239,354	(61,672)
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	40,273	—	(3,605)
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities: (Foreign securities)	237,392	189,995	
	Currency swap		20,977	20,977	(Note 3)
Total			——	——	¥(45,000)

Hedge accounting method	Type	Primary hedged instrument	Thousands of U.S. dollars 2013 Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	**$ 3,995,296**	**$ 2,597,568**	**$ (343,337)**
	Currency swap		**24,044,455**	**22,601,736**	**(3,980,007)**
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	**8,491,695**	**—**	**(353,478)**
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities: (Foreign securities)	**2,020,155**	**1,230,482**	
	Currency swap		**852,716**	**629,670**	**(Note 3)**
Total			**——**	**——**	**$(4,676,823)**

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 present value of future cash flows.
3. Derivatives under the accounting method translating foreign currency receivables at forward rates are treated as being an inseparable part of the securities being hedged, and their fair value is therefore included in that of the corresponding securities under Note 20. Financial Instruments.

(3) Equity-related derivatives: None as of March 31, 2013 and 2012

(4) Bond-related derivatives: None as of March 31, 2013 and 2012

23. Loans

"Loans to bankrupt borrowers," "Non-accrual delinquent loans," "Past-due loans for three months or more," and "Restructured loans" did not exist as of March 31, 2013 and 2012.

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

The unused commitment balance relating to these loan agreements amounted to ¥7,735 million ($82,243 thousand) and ¥27,735 million as of March 31, 2013 and 2012, respectively. Of this amount, ¥5,000 million ($53,163 thousand) and ¥25,000 million as of March 31, 2013 and 2012, respectively, related to loans in which the term of the agreement was less than one year, or the unconditional cancellation of the agreement was allowed at any time.

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused amount will not necessarily affect future cash flows. Conditions are included in certain loan agreements that allow the Bank to decline the request for a loan draw-down when there is due cause to do so, such as when there is a change in financial condition or when it is necessary to protect the Bank's credit. At the inception of contracts, the Bank has the obligor pledge collateral to the Bank in the form of real estate, securities, etc., if considered to be necessary. Subsequently, the Bank reviews the obligor's financial condition in accordance with the Bank's established internal procedures and takes necessary measures to protect its credit.

24. Reserve for Retirement Benefits

An outline of employees' retirement benefits as of March 31, 2013 and 2012 was as follows:

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

Reserve for employees' retirement benefits as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Projected benefit obligation	**¥(128,120)**	¥(129,186)	**$(1,362,255)**
Unfunded projected benefit obligation	**(128,120)**	(129,186)	**(1,362,255)**
Unrecognized net actuarial losses	**(8,127)**	(6,796)	**(86,415)**
Net amount recorded on the balance sheets	**(136,247)**	(135,982)	**(1,448,670)**
Reserve for employees' retirement benefits	**¥(136,247)**	¥(135,982)	**$(1,448,670)**

The breakdown of total retirement benefit costs for the fiscal years ended March 31, 2013 and 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Service cost	**¥6,499**	¥6,461	**$69,106**
Interest cost on projected benefit obligation	**2,195**	2,190	**23,345**
Amortization of unrecognized net actuarial losses	**(812)**	(676)	**(8,641)**
Others	**0**	0	**2**
Total retirement benefit costs	**¥7,882**	¥7,976	**$83,812**

Assumptions used in the calculation of the above information for the fiscal years ended March 31, 2013 and 2012 were set forth as follows:

	2013	2012
Discount rate	**1.7%**	1.7%
Method of attributing the projected benefits to periods of service	**Straight-line basis**	Straight-line basis
Amortization period of unrecognized actuarial losses	**10 years**	10 years

25. Deferred Tax Assets/Liabilities

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

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred tax assets:			
Reserve for possible loan losses	**¥ 171**	¥ 206	**$ 1,824**
Reserve for employees' retirement benefits	**48,806**	48,843	**518,944**
Depreciation	**17,326**	13,573	**184,231**
Accrued interest on deposits	**24,217**	14,690	**257,500**
Impairment losses of money held in trust	**3,076**	9,813	**32,716**
Deferred losses on hedges	**208,661**	39,088	**2,218,622**
Accrued enterprise taxes	**9,111**	8,996	**96,877**
Other	**18,686**	19,156	**198,683**
Total deferred tax assets	**330,059**	154,367	**3,509,400**
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	**(1,190,683)**	(525,706)	**(12,660,107)**
Other	**(9,885)**	(14,103)	**(105,112)**
Total deferred tax liabilities	**(1,200,568)**	(539,809)	**(12,765,220)**
Net deferred tax liabilities	**¥ (870,509)**	¥(385,441)	**$ (9,255,819)**

For the fiscal years ended March 31, 2013 and 2012, the difference between the effective income tax rate and effective tax payout ratio was less than 5%.

26. Profit or Loss From Equity Method

The details for the fiscal years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Investments in affiliates	**¥935**	¥900	**$9,941**
Investments, if equity method accounting is adopted	**923**	866	**9,819**
Investment gains, if equity method accounting is adopted	**22**	29	**234**

27. Segment Information

Segment Information

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

Related Information

a. Information about services

Information about services is omitted as revenues from securities investment accounted for more than 90% of the total revenues in the statements of income for the fiscal years ended March 31, 2013 and 2012.

b. Information about geographical areas

1) Revenues

Information about revenues by geographical area is omitted as revenues from external customers in Japan accounted for more than 90% of the total revenues in the statements of income for the fiscal years ended March 31, 2013 and 2012.

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, 2013 and 2012.

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 revenues in the statements of income for the fiscal years ended March 31, 2013 and 2012.

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 segment

None

Information about recognized gain on negative goodwill by reported segments

None

28. Related Party Transactions

a. Transactions with related parties

Transactions between the Bank and related parties for the fiscal years ended March 31, 2013 and 2012 were as follows:

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

For the fiscal year ended March 31, 2013

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

Ownership of voting rights held	100% of the Bank's shares		
Capital	¥3,500,000 million ($37,214,247 thousand)		
Nature of transactions	Business management Concurrent holding of positions by executive management directors		
Details of transactions	Payments of grants*	Payments of IT system (PNET) service charge**	Payments of management fees***
Transaction amount	¥27,009 million ($287,182 thousand)	¥28,270 million ($300,589 thousand)	¥2,914 million ($30,989 thousand)
Account	Other assets	Other liabilities	Other liabilities
Outstanding balance at end of the fiscal year	¥5,560 million ($59,125 thousand)	¥2,462 million ($26,183 thousand)	¥267 million ($2,844 thousand)

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

Ownership of voting rights held	100% of the Bank's shares		
Capital	¥3,500,000 million		
Nature of transactions	Business management Concurrent holding of positions by executive management directors		
Details of transactions	Payments of grants*	Payments of IT system (PNET) service charge**	Payments of management fees***
Transaction amount	¥43,593 million	¥29,508 million	¥3,176 million
Account	—	Other liabilities	Other liabilities
Outstanding balance at end of the fiscal year	—	¥2,610 million	¥277 million

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

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

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

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

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

None for the fiscal years ended March 31, 2013 and 2012

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

For the year ended March 31, 2013

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

Ownership of voting rights held	Nil			
Capital	¥100,000 million ($1,063,264 thousand)			
Nature of transactions	Consignment of bank agency services, Consignment contracts for logistics operations, and Concurrent holding of positions by executive management directors			
Details of transactions	Payment of consignment fees related to bank agency services*	Receipt and payment of funds related to bank agency services		Payment of consignment fees for logistics operations****
Transaction amount	¥609,578 million ($6,481,433 thousand)	¥1,162,630 million ($12,361,830 thousand)	—	¥2,274 million ($24,179 thousand)
Account	Other liabilities	Other assets**	Other liabilities ***	Other liabilities
Outstanding balance at end of the fiscal year	¥54,171 million ($575,986 thousand)	¥1,120,000 million ($11,908,559 thousand)	¥32,468 million ($345,228 thousand)	¥323 million ($3,442 thousand)

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

** 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, 2013.

*** 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 of fees for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on general transactions.

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

2. The above amounts include the amount of transactions with JAPAN POST SERVICE Co., Ltd. On October 1, 2012, JAPAN POST NETWORK Co., Ltd. changed its name to JAPAN POST Co., Ltd., and acquired the business operations, etc., of and merged with JAPAN POST SERVICE Co., Ltd.

For the fiscal year ended March 31, 2012

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

Ownership of voting rights held	Nil		
Capital	¥100,000 million		
Nature of transactions	Consignment of bank agency services and Concurrent holding of positions by executive management directors		
Details of transactions	Payment of consignment fees*	Receipt and payment of funds related to bank agency services	
Transaction amount	¥619,085 million	¥1,268,251 million	—
Account	Other liabilities	Other assets**	Other assets***
Outstanding balance at end of the fiscal year	¥55,891 million	¥1,240,000 million	¥27,936 million

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

**The figures represent advance payments of funds necessary for delivery of deposits based on the bank agency services agreement. The transaction amounts are presented on an average balance basis for the fiscal year ended March 31, 2012.

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

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

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

Ownership of voting rights held	Nil
Capital	¥100,000 million
Nature of transactions	Consignment contracts for logistics operations
Details of transactions	Payment of consignment fees for logistics operations****
Transaction amount	¥2,467 million
Account	Other liabilities
Outstanding balance at end of the fiscal year	¥287 million

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

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

(4) Transactions between the Bank and directors and/or executive officers:

None for the fiscal years ended March 31, 2013 and 2012

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

(1) Information on the parent company

JAPAN POST HOLDINGS Co., Ltd. (Unlisted)

(2) Information on significant affiliates

None

29. Per Share Data

Net assets per share as of March 31, 2013 and 2012 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2013	2012	**2013**
Net assets per share	**¥73,317.05**	¥65,454.41	**$779.55**
Net income per share	**2,492.98**	2,232.33	**26.50**

Net assets per share as of March 31, 2013 and 2012 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Net assets	**¥10,997,558**	¥9,818,162	**$116,933,103**
Net assets attributable to common stock at the end of the fiscal year	**10,997,558**	9,818,162	**116,933,103**
Number of common stock at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	**150,000**	150,000	

Net income per share data for the fiscal years ended March 31, 2013 and 2012 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Net income	**¥373,948**	¥334,850	**$3,976,057**
Net income attributable to common stock	**373,948**	334,850	**3,976,057**
Average number of common stock outstanding during the fiscal year (thousand shares)	**150,000**	150,000	

Note: Diluted net income per share is not presented since there has been no potential dilution for the years ended March 31, 2013 and 2012.

30. Subsequent Event

None

KPMG

Independent Auditor's Report

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

We have audited the accompanying financial statements of JAPAN POST BANK Co., Ltd., which comprise the balance sheets as at March 31, 2013 and 2012, and the 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of JAPAN POST BANK Co., Ltd. as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the financial statements.

KPMG AZSA LLC

June 28, 2013
Tokyo, Japan

FINANCIAL DATA

Key Financial Indicators

Key Financial Indicators

Years ended March 31

	Millions of yen	
	2013	2012
Ordinary revenues	**¥ 2,125,888**	¥ 2,234,596
Operating profit (before provision for general reserve for possible loan losses)	**512,808**	495,470
Net operating profit	**512,808**	495,470
Net ordinary income	**593,535**	576,215
Net income	**373,948**	334,850
Common stock	**3,500,000**	3,500,000
Shares outstanding (thousand shares)	**150,000**	150,000
Net assets	**10,997,558**	9,818,162
Total assets	**199,840,681**	195,819,898
Deposits	**176,096,136**	175,635,370
Loans	**3,967,999**	4,134,547
Securities	**171,596,578**	175,953,292
Capital adequacy ratio (non-consolidated, domestic standard) (%)	**66.04**	68.39
Dividend payout ratio (%)	**25.00**	25.00
Employees	**12,922**	12,796

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). The Bank adheres to capital adequacy standards applicable in Japan.
2. 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 short-term contract and part-time employees.

Earnings

Income Analysis

Years ended March 31

	Millions of yen	
	2013	2012
Gross operating profit:	¥ 1,624,329	¥ 1,670,002
(Excluding gains (losses) on bonds)	1,580,163	1,689,450
Net interest income	1,532,152	1,677,349
Net fees and commissions	88,126	88,460
Trading gains	–	–
Net other operating income (loss)	4,050	(95,806)
(Gains (losses) on bonds)	44,166	(19,447)
General and administrative expenses (excluding non-recurring losses):	(1,111,521)	(1,174,532)
Personnel expenses	(119,703)	(116,142)
Non-personnel expenses	(926,615)	(989,933)
Taxes and dues	(65,202)	(68,455)
Operating profit (before provision for general reserve for possible loan losses)	512,808	495,470
(Excluding gains (losses) on bonds)	468,642	514,918
Provision for general reserve for possible loan losses	–	–
Net operating profit:	512,808	495,470
Gains (losses) on bonds	44,166	(19,447)
Non-recurring gains (losses):	80,727	80,744
Gains (losses) on money held in trust	84,389	81,970
Other non-recurring gains (losses)	(3,662)	(1,225)
Net ordinary income	593,535	576,215
Extraordinary income (loss):	(1,983)	(2,435)
Gains (losses) on sales and disposal of fixed assets	(874)	(1,286)
Losses on impairment of fixed assets	(606)	(1,149)
Income before income taxes	591,552	573,780
Income taxes—current	(227,940)	(226,397)
Income taxes—deferred	10,335	(12,532)
Net income	373,948	334,850
Credit-related expenses:	6	15
Provision for general reserve for possible loan losses	6	15
Write-off of loans	–	–
Provision for specific reserve for possible loan losses	–	–
Recoveries of written-off loans	–	–

Notes: 1. Employees' retirement benefits (non-recurring costs) and other items have been excluded from general and administrative expenses in the calculation of "general and administrative expenses (excluding non-recurring losses)" indicated in the above table.
2. Credit-related expenses are those expenses related to problem assets disclosed under the Financial Reconstruction Act.
3. Numbers in parenthesis indicate the amount of loss, expense and decrease.

Gross Operating Profit and Gross Operating Profit Margin

Years ended March 31

	Millions of yen	
	2013	2012
Gross operating profit	¥1,624,329	¥1,670,002
Gross operating profit margin (%)	0.88	0.91

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)

Years ended March 31

	Millions of yen	
	2013	2012
Net interest income:	¥1,532,152	¥1,677,349
Interest income	1,876,142	2,006,939
Interest expenses	343,990	329,590
Net fees and commissions:	88,126	88,460
Fees and commissions received	114,801	112,446
Fees and commissions paid	26,675	23,985
Net trading income:	–	–
Trading gains	–	–
Trading losses	–	–
Net other operating income (loss):	4,050	(95,806)
Other operating income	47,524	24,398
Other operating expenses	43,473	120,205

Note: Interest expenses exclude expenses corresponding to money held in trust (fiscal year ended March 31, 2013, ¥5,840 million; fiscal year ended March 31, 2012, ¥4,614 million).

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

Years ended March 31

	Millions of yen		
	2013		
	Average balance	Interest	Earnings yield (%)
Interest-earning assets:	**¥183,178,803**	**¥1,876,142**	**1.02**
Loans	**3,996,399**	**43,712**	**1.09**
Securities	**169,604,359**	**1,816,271**	**1.07**
Deposits (to the fiscal loan fund)	**–**	**–**	**–**
Due from banks, etc.	**9,040,423**	**9,735**	**0.10**
Interest-bearing liabilities:	**173,952,044**	**343,990**	**0.19**
Deposits	**176,328,187**	**271,837**	**0.15**
Borrowed money	**1**	**0**	**0.29**

	Millions of yen		
	2012		
	Average balance	Interest	Earnings yield (%)
Interest-earning assets:	¥181,663,189	¥2,006,939	1.10
Loans	4,202,546	47,770	1.13
Securities	172,129,563	1,947,853	1.13
Deposits (to the fiscal loan fund)	–	–	–
Due from banks, etc.	4,981,599	5,940	0.11
Interest-bearing liabilities:	173,313,898	329,590	0.19
Deposits	175,575,435	273,738	0.15
Borrowed money	0	0	0.30

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, 2013, ¥2,953,720 million; fiscal year ended March 31, 2012, ¥2,426,534 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (fiscal year ended March 31, 2013, ¥2,953,720 million; fiscal year ended March 31, 2012, ¥2,426,534 million) and the corresponding interest (fiscal year ended March 31, 2013, ¥5,840 million; fiscal year ended March 31, 2012, ¥4,614 million) are excluded from interest-bearing liabilities.
2. Due from banks, etc., includes negotiable certificates of deposit, call loans, monetary claims bought, and Bank of Japan (BOJ) deposits.

Changes in Interest Income and Expenses

Years ended March 31

	Millions of yen		
	2013		
	Volume-related change	Interest-related change	Net change
Interest income:	**¥ 16,901**	**¥(147,698)**	**¥(130,797)**
Loans	**(2,293)**	**(1,764)**	**(4,058)**
Securities	**(28,246)**	**(103,335)**	**(131,582)**
Deposits (to the fiscal loan fund)	**–**	**–**	**–**
Due from banks, etc.	**4,307**	**(511)**	**3,795**
Interest expenses:	**1,217**	**13,181**	**14,399**
Deposits	**1,181**	**(3,082)**	**(1,900)**
Borrowed money	**0**	**(0)**	**0**

	Millions of yen		
	2012		
	Volume-related change	Interest-related change	Net change
Interest income:	¥(14,781)	¥(22,399)	¥(37,181)
Loans	(793)	(907)	(1,701)
Securities	(22,586)	(1,714)	(24,301)
Deposits (to the fiscal loan fund)	(14,043)	–	(14,043)
Due from banks, etc.	1,342	1,079	2,422
Interest expenses:	(3,574)	(24,483)	(28,058)
Deposits	(239)	(31,895)	(32,135)
Borrowed money	(14,018)	(0)	(14,018)

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

General and Administrative Expenses

Years ended March 31

	Millions of yen			
	2013		2012	
	Amount	%	Amount	%
Personnel expenses:	**¥ 118,949**	**10.70**	¥ 115,524	9.84
Salaries and allowances	**111,067**	**9.99**	107,495	9.15
Non-personnel expenses:	**926,615**	**83.42**	989,933	84.32
Payments on bank agency services for JAPAN POST Co., Ltd.	**609,578**	**54.87**	619,085	52.73
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (Note)	**27,009**	**2.43**	43,593	3.71
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	**94,311**	**8.49**	102,564	8.73
Rent for land, buildings and others	**11,689**	**1.05**	11,327	0.96
Expenses on consigned businesses	**62,746**	**5.64**	67,125	5.71
Depreciation and amortization	**25,812**	**2.32**	35,108	2.99
Communication and transportation expenses	**20,840**	**1.87**	22,413	1.90
Maintenance expenses	**14,023**	**1.26**	15,063	1.28
IT expenses	**36,789**	**3.31**	45,231	3.85
Taxes and dues	**65,202**	**5.87**	68,455	5.83
Total	**¥1,110,767**	**100.00**	¥1,173,914	100.00

Note: The Bank makes payments of subsidies 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

	Millions of yen			
	2013		2012	
	Amount	%	Amount	%
Liquid deposits:	**¥ 59,971,472**	**34.05**	¥ 60,194,830	34.27
Transfer deposits	**10,209,954**	**5.79**	9,474,107	5.39
Ordinary deposits, etc.	**49,358,959**	**28.02**	50,309,540	28.64
Savings deposits	**402,558**	**0.22**	411,182	0.23
Fixed-term deposits:	**115,878,602**	**65.80**	115,180,951	65.57
Time deposits, etc.	**18,817,949**	**10.68**	18,426,695	10.49
TEIGAKU deposits, etc.	**97,057,788**	**55.11**	96,750,382	55.08
Other deposits	**246,060**	**0.13**	259,588	0.14
Subtotal	**176,096,136**	**100.00**	175,635,370	100.00
Negotiable certificates of deposit	**–**	**–**	–	–
Total	**¥176,096,136**	**100.00**	¥175,635,370	100.00

Years ended March 31

Average Balances

	Millions of yen			
	2013		2012	
	Amount	%	Amount	%
Liquid deposits:	**¥ 60,631,246**	**34.38**	¥ 61,076,039	34.78
Transfer deposits	**9,825,702**	**5.57**	9,131,582	5.20
Ordinary deposits, etc.	**50,398,750**	**28.58**	51,525,050	29.34
Savings deposits	**406,793**	**0.23**	419,406	0.23
Fixed-term deposits:	**115,424,575**	**65.46**	114,227,838	65.05
Time deposits, etc.	**18,437,969**	**10.45**	20,309,899	11.56
TEIGAKU deposits, etc.	**96,983,112**	**55.00**	93,913,747	53.48
Other deposits	**272,366**	**0.15**	271,556	0.15
Subtotal	**176,328,187**	**100.00**	175,575,435	100.00
Negotiable certificates of deposit	**–**	**–**	–	–
Total	**¥176,328,187**	**100.00**	¥175,575,435	100.00

Time Deposits by Time to Maturity

As of March 31

		Millions of yen	
		2013	2012
Less than three months	Time deposits:	**¥ 4,366,874**	¥ 4,135,238
	Fixed interest rates	**4,366,874**	4,135,238
	Floating interest rates	**–**	–
	Other time deposits	**–**	–
≥ Three and < six months	Time deposits:	**3,905,227**	3,722,908
	Fixed interest rates	**3,905,227**	3,722,908
	Floating interest rates	**–**	–
	Other time deposits	**–**	–
≥ Six months and < one year	Time deposits:	**9,224,316**	8,644,316
	Fixed interest rates	**9,224,316**	8,644,316
	Floating interest rates	**–**	–
	Other time deposits	**–**	–
≥ One and < two years	Time deposits:	**738,020**	1,150,080
	Fixed interest rates	**738,020**	1,150,080
	Floating interest rates	**–**	–
	Other time deposits	**–**	–
≥ Two and < three years	Time deposits:	**308,776**	690,061
	Fixed interest rates	**308,776**	690,061
	Floating interest rates	**–**	–
	Other time deposits	**–**	–
Three years or more	Time deposits:	**274,733**	84,089
	Fixed interest rates	**274,733**	84,089
	Floating interest rates	**–**	–
	Other time deposits	**–**	–
Total	Time deposits:	**¥18,817,949**	¥18,426,695
	Fixed interest rates	**18,817,949**	18,426,695
	Floating interest rates	**–**	–
	Other time deposits	**–**	–

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

TEIGAKU Deposits by Time to Maturity

As of March 31

	Millions of yen	
	2013	2012
Less than one year	**¥ 2,052,122**	¥ 2,933,620
≥ One and < three years	**4,350,139**	4,827,126
≥ Three and < five years	**26,539,373**	11,476,713
≥ Five and < seven years	**22,363,442**	35,104,295
Seven years or more	**41,752,711**	42,408,626
Total	**¥97,057,788**	¥96,750,382

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

Loans

Loans by Category

As of March 31

	Millions of yen	
	2013	2012
Loans on notes	**–**	–
Loans on deeds	**¥3,732,809**	¥3,912,823
Overdrafts	**235,189**	221,724
Notes discounted	**–**	–
Total	**¥3,967,999**	¥4,134,547

Years ended March 31

Average Balances

	Millions of yen	
	2013	2012
Loans on notes	**–**	–
Loans on deeds	**¥3,771,762**	¥3,985,756
Overdrafts	**224,637**	216,790
Notes discounted	**–**	–
Total	**¥3,996,399**	¥4,202,546

Loans by Time to Maturity

As of March 31

		Millions of yen	
		2013	2012
One year or less	Loans:	**¥ 861,782**	¥ 481,563
	Floating interest rates	**/**	/
	Fixed interest rates	**/**	/
> One and ≤ three years	Loans:	**389,312**	545,744
	Floating interest rates	**253,421**	299,414
	Fixed interest rates	**135,891**	246,329
> Three and ≤ five years	Loans:	**636,936**	377,943
	Floating interest rates	**41,857**	154,426
	Fixed interest rates	**595,079**	223,517
> Five and ≤ seven years	Loans:	**542,415**	862,484
	Floating interest rates	**–**	–
	Fixed interest rates	**542,415**	862,484
> Seven and ≤ ten years	Loans:	**344,868**	444,734
	Floating interest rates	**100**	–
	Fixed interest rates	**344,768**	444,734
Over ten years	Loans:	**1,192,683**	1,422,076
	Floating interest rates	**–**	–
	Fixed interest rates	**1,192,683**	1,422,076
No designated term	Loans:	**–**	–
	Floating interest rates	**–**	–
	Fixed interest rates	**–**	–
Total		**¥3,967,999**	¥4,134,547

Notes: 1. Loans to the Management Organization for Postal Savings and Postal Life Insurance include loans for which the interest rate is revised (5 years/10 years), and those loans are recorded as fixed interest rate loans.
2. Loans to depositors (maturities of two years or less) are treated as having time to maturity of one year or less.
3. Loans with maturities of one year or less have not been categorized into fixed and floating interest rate instruments.

Loans and Acceptances and Guarantees by Type of Collateral

As of March 31

Loans by Type of Collateral

	Millions of yen	
	2013	2012
Securities	**¥ 331**	¥ 238
Receivables	**186,278**	160,761
Merchandise	**–**	–
Real estate	**–**	–
Others	**–**	–
Subtotal	**186,610**	161,000
Guarantees	**356,875**	191,968
Credit	**3,424,512**	3,781,579
Total	**¥3,967,999**	¥4,134,547

Acceptances and Guarantees by Type of Collateral

	Millions of yen	
	2013	2012
Securities	**–**	–
Receivables	**–**	–
Merchandise	**–**	–
Real estate	**–**	–
Others	**–**	–
Subtotal	**–**	–
Guarantees	**–**	–
Credit	**¥145,000**	¥160,000
Total	**¥145,000**	¥160,000

Loans by Purpose

As of March 31

	Millions of yen			
	2013		2012	
	Amount	%	Amount	%
Funds for capital investment	**¥ 109,844**	**2.76**	¥ 112,471	2.72
Funds for working capital	**3,858,154**	**97.23**	4,022,076	97.27
Total	**¥3,967,999**	**100.00**	¥4,134,547	100.00

Loans by Industry

As of March 31

	Millions of yen			
	2013		2012	
	Amount	%	Amount	%
Agriculture, forestry, fisheries, and mining	**–**	**–**	–	–
Manufacturing	**¥ 132,491**	**3.33**	¥ 164,207	3.97
Utilities, information/communications, and transportation	**184,034**	**4.63**	182,217	4.40
Wholesale and retail	**21,563**	**0.54**	31,776	0.76
Finance and insurance	**2,739,270**	**69.03**	2,713,376	65.62
Construction and real estate	**22,251**	**0.56**	22,252	0.53
Services and goods rental/leasing	**27,256**	**0.68**	196,450	4.75
Central and local governments	**613,793**	**15.46**	622,540	15.05
Others	**227,337**	**5.72**	201,726	4.87
Total	**¥3,967,999**	**100.00**	¥4,134,547	100.00

Loans to Individuals and Small and Midsize Enterprises

As of March 31

	Millions of yen	
	2013	2012
Total loans (A)	¥3,967,999	¥4,134,547
Loans to individuals and small and mid-size enterprises (B)	¥ 189,836	¥ 164,218
(B)/(A) (%)	4.78	3.97

Note: Individuals and small and mid-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	
	2013	2012
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	
	2013	2012
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	¥4,134,159	¥4,317,006
Total (B)	¥4,134,159	¥4,317,006
Non-performing loan ratio (A)/(B) (%)	–	–

Reserve for Possible Loan Losses

Years ended March 31

	Millions of yen			
	2013			
	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	**¥ 491**	**¥ 454**	**¥ 491**	**¥ 454**
Specific reserve for possible loan losses	**718**	**728**	**718**	**728**
Total	**¥1,210**	**¥1,182**	**¥1,210**	**¥1,182**

	Millions of yen			
	2012			
	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	¥ 885	¥ 491	¥ 885	¥ 491
Specific reserve for possible loan losses	856	718	856	718
Total	¥1,742	¥1,210	¥1,742	¥1,210

Securities

Average Balance by Type of Trading Book Securities

Years ended March 31

	Millions of yen	
	2013	2012
Trading book Japanese Government Bonds	**¥371**	¥366
Trading book Japanese local government bonds	**–**	–
Trading book government guaranteed bonds	**–**	–
Other trading book securities	**–**	–
Total	**¥371**	¥366

Securities by Time to Maturity

As of March 31

	Millions of yen							
	2013							
	One year or less	> One and ≤ three years	> Three and ≤ five years	> Five and ≤ seven years	> Seven and ≤ ten years	Over ten years	No designated term	Total
Japanese Government Bonds	¥30,452,846	¥40,430,662	¥23,059,566	¥14,723,208	¥26,931,982	¥2,600,465	–	¥138,198,732
Japanese local government bonds	1,063,046	1,589,578	862,940	1,270,727	978,967	40,838	–	5,806,099
Japanese corporate bonds	2,190,532	3,510,998	2,096,535	2,474,014	492,167	1,088,737	–	11,852,985
Other securities	1,174,426	3,852,520	3,517,409	1,785,358	1,302,951	91,096	¥4,014,997	15,738,761
Foreign bonds	1,144,354	3,805,274	3,517,409	1,785,358	1,302,951	91,096	–	11,646,446
Foreign stocks	–	–	–	–	–	–	–	–
Total	¥34,880,852	¥49,383,760	¥29,536,452	¥20,253,308	¥29,706,070	¥3,821,138	¥4,014,997	¥171,596,578

	Millions of yen							
	2012							
	One year or less	> One and ≤ three years	> Three and ≤ five years	> Five and ≤ seven years	> Seven and ≤ ten years	Over ten years	No designated term	Total
Japanese Government Bonds	¥40,284,468	¥37,220,777	¥26,010,407	¥16,389,855	¥21,440,346	¥3,593,960	–	¥144,939,816
Japanese local government bonds	521,278	1,792,174	1,327,975	825,648	1,226,847	41,660	–	5,735,585
Japanese corporate bonds	2,196,646	3,313,144	2,139,983	2,733,517	1,307,488	1,155,592	–	12,846,374
Other securities	553,875	2,405,018	2,415,576	2,248,617	1,749,532	97,406	¥2,961,488	12,431,516
Foreign bonds	553,875	2,374,946	2,415,576	2,248,617	1,749,532	97,406	–	9,439,955
Foreign stocks	–	–	–	–	–	–	–	–
Total	¥43,556,269	¥44,731,115	¥31,893,943	¥22,197,639	¥25,724,215	¥4,888,620	¥2,961,488	¥175,953,292

Balance by Type of Securities

As of March 31

	Millions of yen	
	2013	2012
Japanese Government Bonds	**¥138,198,732**	¥144,939,816
Japanese local government bonds	**5,806,099**	5,735,585
Japanese corporate bonds	**11,852,985**	12,846,374
Other securities	**15,738,761**	12,431,516
Total	**¥171,596,578**	¥175,953,292

Years ended March 31

Average Balances

	Millions of yen	
	2013	2012
Japanese Government Bonds	**¥138,803,297**	¥142,753,072
Japanese local government bonds	**5,764,674**	5,651,021
Japanese corporate bonds	**12,393,873**	12,842,718
Other securities	**12,642,514**	10,882,751
Total	**¥169,604,359**	¥172,129,563

Fund Management Status

As of March 31

	Millions of yen			
	2013		2012	
	Outstanding assets	%	Outstanding assets	%
Due from banks, etc.	**¥ 9,078,233**	**4.59**	¥ 2,671,900	1.38
Call loans	**1,837,733**	**0.92**	1,206,290	0.62
Receivables under securities borrowing transactions	**8,141,533**	**4.11**	5,778,828	2.98
Money held in trust	**3,038,863**	**1.53**	3,715,446	1.92
Securities:	**171,596,578**	**86.81**	175,953,292	90.94
Japanese Government Bonds	**138,198,732**	**69.91**	144,939,816	74.91
Japanese local government bonds	**5,806,099**	**2.93**	5,735,585	2.96
Japanese corporate bonds	**11,852,985**	**5.99**	12,846,374	6.64
Other securities	**15,738,761**	**7.96**	12,431,516	6.42
Loans	**3,967,999**	**2.00**	4,134,547	2.13
Others	**4,222**	**0.00**	3,737	0.00
Total	**¥197,665,164**	**100.00**	¥193,464,043	100.00

Note: Due from banks, etc., includes negotiable certificates of deposit, monetary claims bought, and Bank of Japan (BOJ) deposits.

Foreign Bonds

As of March 31

Foreign Bonds by Currency

	Millions of yen			
	2013		2012	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥ 4,015,930	34.48	¥3,747,096	39.69
U.S. dollar	4,928,156	42.31	3,698,231	39.17
Euro	2,640,844	22.67	1,940,704	20.55
Others	61,514	0.52	53,922	0.57
Total	¥11,646,446	100.00	¥9,439,955	100.00

Money Held in Trust

As of March 31

Assets by Type

	Millions of yen			
	2013		2012	
	Outstanding assets	%	Outstanding assets	%
Domestic stocks	¥1,579,002	54.90	¥1,670,834	46.56
Domestic bonds	1,297,096	45.09	1,710,319	47.66
Foreign stocks	0	0.00	207,086	5.77
Total	¥2,876,099	100.00	¥3,588,240	100.00

Assets by Currency

	Millions of yen			
	2013		2012	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥2,876,098	99.99	¥3,381,153	94.22
U.S. dollar	–	–	190,431	5.30
Euro	0	0.00	0	0.00
Others	–	–	16,654	0.46
Total	¥2,876,099	100.00	¥3,588,240	100.00

Note: Cash and deposits are excluded.

Securitized Product Exposure

As of March 31, 2013 and March 31, 2012, 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 special purpose enterprises (SPEs) that should be consolidated.

In addition, the Bank did not realize any actual losses on securitized products during the fiscal year ended March 31, 2013 due to impairment or losses on sales.

As of March 31

1. Securitized Products

		Billions of yen			
		2013			
Region		Acquisition cost (A)	Net unrealized gains (losses) (B)	(B)/(A) (%)	Credit ratings
Domestic	Residential mortgage-backed securities (RMBS)	**¥1,060.3**	**¥54.3**	**5.12**	**AAA~AA**
	Subprime loan related	**–**	**–**	**–**	**–**
	Collateralized loan obligations (CLO)	**94.5**	**5.7**	**6.05**	**AA**
	Other securitized products	**4.4**	**0.0**	**0.19**	**AAA**
	Commercial mortgage-backed securities (CMBS)	**–**	**–**	**–**	**–**
	Collateralized debt obligations (CDO)	**8.0**	**0.2**	**3.38**	**AAA**
	Subtotal	**1,167.4**	**60.3**	**5.16**	
Overseas	Residential mortgage-backed securities (RMBS)	**211.8**	**19.6**	**9.25**	**AAA**
	Subprime loan related	**–**	**–**	**–**	**–**
	Subtotal	**211.8**	**19.6**	**9.25**	
Total		**¥1,379.3**	**¥79.9**	**5.79**	

		Billions of yen			
		2012			
Region		Acquisition cost (A)	Net unrealized gains (losses) (B)	(B)/(A) (%)	Credit ratings
Domestic	Residential mortgage-backed securities (RMBS)	¥1,166.4	¥36.9	3.16	AAA~AA
	Subprime loan related	–	–	–	–
	Collateralized loan obligations (CLO)	94.6	4.8	5.14	AA
	Other securitized products	19.7	0.0	0.07	AAA
	Commercial mortgage-backed securities (CMBS)	–	–	–	–
	Collateralized debt obligations (CDO)	10.0	0.2	2.37	AAA
	Subtotal	1,290.8	42.0	3.26	
Overseas	Residential mortgage-backed securities (RMBS)	25.1	1.4	5.62	AAA
	Subprime loan related	–	–	–	–
	Subtotal	25.1	1.4	5.62	
Total		¥1,315.9	¥43.5	3.30	

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 underlying assets are lease payments and auto loan claim, etc.
5. The above table does not include U.S. government sponsored enterprises (GSEs), etc., related products.
6. Within the Net unrealized gains (losses), the amount included in the statement of income due to applying fair value hedge accounting was ¥16.7 billion of profit as of March 31, 2013 and ¥1.1 billion of profit as of March 31, 2012.

2. Structured Investment Vehicles (SIVs)

There were no investments in SIVs.

3. Leveraged Loans

There were no outstanding leveraged loans.

4. Monoline Insurer Related Products

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

5. GSEs Related Products

	Billions of yen		
	2013		
	Acquisition cost (A)	Net unrealized gains (losses) (B)	(B)/(A) (%)
Mortgage-backed securities	**¥82.1**	**¥8.9**	**10.91**
Agency securities	**–**	**–**	**–**

	Billions of yen		
	2012		
	Acquisition cost (A)	Net unrealized gains (losses) (B)	(B)/(A) (%)
Mortgage-backed securities	¥38.1	¥1.5	3.97
Agency securities	–	–	–

Notes: 1. Mortgage-backed securities are those securities arranged and guaranteed by GSEs.
2. Agency securities are those securities issued directly by GSEs.
3. Within the Net unrealized gains (losses), the amount included in the statement of income due to applying fair value hedge accounting was ¥10.1 billion of profit as of March 31, 2013 and ¥1.7 billion of profit as of March 31, 2012.

Ratios

Net Ordinary Income to Assets and Equity

Years ended March 31

	%	
	2013	2012
Net ordinary income to assets	**0.30**	0.29
Net ordinary income to equity	**5.70**	6.09

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

Years ended March 31

	%	
	2013	2012
Net income to assets (ROA)	**0.18**	0.17
Net income to equity (ROE)	**3.59**	3.54

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

Years ended March 31

	%	
	2013	2012
Overhead ratio (OHR)	**68.42**	70.33
Expense-to-deposit ratio	**0.63**	0.66

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

Spread

Years ended March 31

	%	
	2013	2012
Yield on interest-earning assets	**1.02**	1.10
Interest rate on interest-bearing liabilities	**0.19**	0.19
Spread	**0.82**	0.91

Loan-Deposit Ratio

As of March 31

	Millions of yen	
	2013	2012
Loans (A)	¥ 3,967,999	¥ 4,134,547
Deposits (B)	176,096,136	175,635,370
Loan-deposit ratio (A)/(B) (%)	2.25	2.35
Loan-deposit ratio (average for the fiscal year) (%)	2.26	2.39

Security-Deposit Ratio

As of March 31

	Millions of yen	
	2013	2012
Securities (A)	¥171,596,578	¥175,953,292
Deposits (B)	176,096,136	175,635,370
Security-deposit ratio (A)/(B) (%)	97.44	100.18
Security-deposit ratio (average for the fiscal year) (%)	96.18	98.03

Others

Over-the-Counter Sales of Japanese Government Bonds

Years ended March 31

	Millions of yen	
	2013	2012
Long-term bonds	**¥ 73,731**	¥100,887
Medium-term bonds	**134,567**	174,859
Bonds for individuals	**106,910**	215,341
Total	**¥315,209**	¥491,089

Domestic Exchanges

Years ended March 31

Remittances

	Millions of yen			
	2013		2012	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Sent	**19,311**	**¥15,874,930**	17,200	¥14,534,436
Received	**45,108**	**12,079,552**	34,617	11,113,645

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

Transfer Deposits

	Millions of yen			
	2013		2012	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
In-payment	**1,181,903**	**¥55,216,110**	1,180,919	¥53,627,980
Transfers	**104,578**	**85,537,247**	103,055	87,563,532
Out-payment	**120,588**	**48,102,643**	124,372	47,825,119

Ordinary Remittances and Postal Orders (TEIGAKU KOGAWASE)

	Millions of yen			
	2013		2012	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Ordinary remittances	**1,704**	**¥39,241**	2,027	¥40,064
Postal orders (TEIGAKU KOGAWASE)	**16,378**	**9,101**	16,155	8,811

Foreign Exchanges

Years ended March 31

	Millions of U.S. dollars			
	2013		2012	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Foreign exchanges	**390**	**$1,307**	397	$1,401

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

Investment Trusts Sales (Contract Basis)

Years ended March 31

	Millions of yen	
	2013	2012
Number of contracts (thousands)	**1,090**	1,314
Sales amount	**¥279,187**	¥177,421

As of March 31

	Millions of yen	
	2013	2012
Number of investment trust accounts (thousands)	**622**	615
Net assets	**¥1,016,814**	¥902,646

Note: Figures have been rounded off.

Other Businesses

Credit Cards

Years ended March 31

	Thousands	
	2013	2012
Number of cards issued	**94**	487

As of March 31

	Thousands	
	2013	2012
Outstanding	**2,081**	2,072

Mortgage Loans (as intermediary)

Years ended March 31

	Millions of yen	
	2013	2012
Amount of new credit extended	**¥24,047**	¥31,504

As of March 31

	Millions of yen	
	2013	2012
Amount of new credit extended (cumulative)	**¥247,710**	¥223,662

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

Variable Annuities Policies

Years ended March 31

	Millions of yen	
	2013	2012
Number of policies	**10,259**	13,072
Sales amount	**¥52,865**	¥66,545

As of March 31

	Millions of yen	
	2013	2012
Number of policies (cumulative)	**41,355**	31,096
Sales amount (cumulative)	**¥209,251**	¥156,386

Capital Position

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

As of March 31

Account		Millions of yen 2013	2012
Tier I capital	Common stock	**¥ 3,500,000**	¥ 3,500,000
	Non-cumulative perpetual preferred stock	**–**	–
	Deposit for subscriptions to shares	**–**	–
	Capital surplus reserve	**4,296,285**	4,296,285
	Other capital surplus	**–**	–
	Legal retained earnings	**–**	–
	Other retained earnings	**1,440,830**	1,150,595
	Others	**–**	–
	Treasury stock (deduction)	**–**	–
	Advance on subscription for treasury stock	**–**	–
	Cash dividends to be paid	**(93,487)**	(83,713)
	Unrealized losses on other securities	**–**	–
	Subscription rights to new shares	**–**	–
	Goodwill equivalents (deduction)	**–**	–
	Intangible fixed assets accounted as a result of merger (deduction)	**–**	–
	Gains on securitization transactions (deduction)	**–**	–
	Total Tier I capital (A)	**9,143,628**	8,863,167
	Redeemable equity securities, etc. (carrying covenant regarding step-up interest rate)	**–**	–
Tier II capital	45% of revaluation reserve for land	**–**	–
	General reserve for possible loan losses	**454**	491
	Capital raising through debt financing	**–**	–
	Items not included in Tier II capital	**–**	–
	Total Tier II capital (B)	**454**	491
Deductions	Deductions (C)	**–**	–
Total risk-based capital	Total risk-based capital (A)+(B)–(C)=(D)	**¥ 9,144,082**	¥ 8,863,659
Risk-weighted assets	On-balance-sheet items	**¥10,212,098**	¥ 9,394,189
	Off-balance-sheet items	**436,338**	295,615
	Operational risk equivalent / 8%	**3,197,587**	3,269,021
	Risk assets, etc. (E)	**13,846,024**	12,958,826
Capital adequacy ratio (D)/(E) (%)		**66.04**	68.39
Tier I capital ratio (A)/(E) (%)		**66.03**	68.39

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 the internal control system based on procedures agreed on by the Bank and KPMG AZSA LLC. The audit corporation reported these results privately to the Bank and did not issue an audit opinion regarding the capital adequacy ratio or the internal capital adequacy assessment process.

Instruments for Raising Capital

Outline of Instruments for Raising Capital

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

• Total issued and outstanding common shares: 150 million shares

Assessment of Capital Adequacy

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

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

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

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

As of March 31

	Millions of yen	
	2013	2012
(1) Capital requirement for credit risk:	**¥425,937**	¥387,592
Portfolios applying the standardized approach	**423,357**	386,095
Securitization exposures	**2,579**	1,496
(2) Capital requirement for operational risk:	**127,903**	130,760
The basic indicator approach	**127,903**	130,760
(3) Total capital requirements ((1) + (2))	**¥553,840**	¥518,353
(4) Capital adequacy ratio (%)	**66.04**	68.39
(5) Tier I capital ratio (%)	**66.03**	68.39

Notes: 1. Capital requirement for credit risk: Credit risk-weighted assets x 4%
2. Capital requirement for operational risk: (Operational risk / 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 2013	2012
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	14,340	8,066
4	Bank for International Settlements, etc.	0	–	–
5	Non-central government public sector entities	0	0	0
6	Foreign non-central government public sector entities	20–100	5,988	4,232
7	Multilateral Development Banks	0–100	7	0
8	Local public corporations and other financial institutions	10–20	2,291	2,184
9	Japanese government agencies	10–20	16,260	17,937
10	Three regional public corporations	20	–	–
11	Financial institutions and Type I Financial Instruments Business Operators	20–100	73,975	55,348
12	Corporates	20–100	221,012	198,532
13	Small and mid-size enterprises and individuals	75	–	–
14	Mortgage loans	35	–	–
15	Project finance (acquisition of real estate)	100	4,026	2,902
16	Past-due loans (three months or more)	50–150	3,652	–
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	54,961	75,194
21	Other than above	100	9,387	9,872
22	Securitization transactions (as originator)	20–225	–	–
	Re-securitization transactions	40–225	–	–
23	Securitization transactions (as investor and other)	20–650	2,579	1,496
	Re-securitization transactions	40–650	80	90
24	Assets comprised of asset pools (so-called funds) for which the individual underlying assets are difficult to identify	–	–	–
25	Capital deductions	–	–	–
	Total	–	¥408,483	¥375,767

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

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

As of March 31

Item		(Reference) Risk weight (%)	Millions of yen 2013	2012
1	Commitments cancelable automatically or unconditionally at any time	0	–	–
2	Commitments with an original maturity up to one year	20	¥ 8	¥ 40
3	Short-term trade contingent liabilities	20	–	–
4	Contingent liabilities arising from specific transactions	50	–	–
	(Guaranteed principal amounts held in some trusts under the transitional provisions)	50	–	–
5	NIFs and RUFs	50	–	–
6	Commitments with an original maturity over one year	50	54	54
7	Contingent liabilities arising from directly substituted credit	100	6,235	5,910
	(Secured with loan guarantees)	100	3,660	2,840
	(Secured with securities)	100	–	–
	(Secured with acceptances)	100	–	–
	(Guaranteed principal amounts held in some trusts outside of the transitional arrangements)	100	–	–
	(Credit derivative protection provided)	100	1,515	2,710
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	0	0
10	Securities lending, cash or securities collateral provision, or repo-style transactions	100	8,616	3,648
11	Derivative transactions and long-settlement transactions	–	2,537	2,170
	Current exposure method	–	2,537	2,170
	Derivative transactions	–	2,537	2,170
	(1) Foreign exchange-related transactions	–	2,002	1,594
	(2) Interest rate-related transactions	–	487	569
	(3) Gold-related transactions	–	–	–
	(4) Equity-related transactions	–	–	–
	(5) Precious metal-related transactions (excluding gold)	–	–	–
	(6) Other commodity-related transactions	–	–	–
	(7) Credit derivative transactions (counterparty risk)	–	48	6
	Write-off of credit equivalent amount under master netting agreement (deduction)	–	–	–
	Long-settlement transactions	–	0	–
12	Unsettled transactions	–	1	–
13	Eligible liquidity facilities related to securitization exposure and eligible servicer cash advance facilities	0–100	–	–
14	Off-balance sheet securitization exposure other than the above	100	–	–
15	Capital deductions	–	–	–
	Total	–	¥17,453	¥11,824

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

Credit Risk

Outline of Credit Risk Management Policies and Procedures

See Pages 47–50 (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 Standard & Poor's Ratings Services (S&P), in addition to the Organisation for Economic Co-operation and Development (OECD).

• Qualified Rating Agencies Used to Determine Risk Weight by Exposure Category

The Bank uses the following qualified rating agencies for each of the following risk exposure categories.

In the case where multiple credit rating agencies provide ratings, the Bank selects the credit rating that yields the second smallest risk weight in accordance with the Capital Adequacy Notification.

Exposure		Rating agencies
Central governments and central banks	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Non-central government public sector entities		R&I, JCR, Moody's, S&P
Foreign non-central government public sector entities		Moody's, S&P, OECD
Multilateral Development Banks		Moody's, S&P
Local public corporations and other financial institutions		R&I, JCR, Moody's, S&P
Japanese government agencies		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					
		2013					
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total	Past due loans for three months or more
Domestic	Agriculture, forestry, fisheries, and mining	–	–	–	–	–	–
	Manufacturing	¥ 219,395	¥ 853,122	–	¥ 2	¥ 1,072,519	–
	Utilities, information/communications, and transportation	184,141	4,670,648	–	8,126	4,862,915	–
	Wholesale and retail	108,639	161,956	–	–	270,596	–
	Finance and insurance	34,872,348 (29,043,516)	5,746,656	¥125,833	39,624	40,784,462 (29,043,516)	–
	Construction and real estate	22,257	133,451	–	0	155,709	–
	Services and goods rental/leasing	1,148,632	344,079	–	2,005	1,494,717	–
	Central and local governments	2,783,565	142,852,606	–	6,354	145,642,526	–
	Others	3,420,249	–	–	278,165	3,698,414	–
	Total	42,759,229 (29,043,516)	154,762,521	125,833	334,277	197,981,861 (29,043,516)	–
Foreign	Sovereigns	54	4,083,757	–	498	4,084,311	–
	Financial institutions	769,019	3,792,007	90,065	2,782	4,653,875	–
	Others	456,430	6,641,962	47	24	7,098,464	–
	Total	1,225,504	14,517,727	90,112	3,306	15,836,651	–
Grand total		43,984,733 ¥(29,043,516)	¥169,280,249	¥215,946	¥337,583	213,818,513 ¥ (29,043,516)	–

		Millions of yen					
		2012					
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total	Past due loans for three months or more
Domestic	Agriculture, forestry, fisheries, and mining	–	–	–	–	–	–
	Manufacturing	¥ 245,222	¥ 896,443	–	¥ 4	¥ 1,141,670	–
	Utilities, information/communications, and transportation	182,329	5,169,899	–	9,000	5,361,229	–
	Wholesale and retail	122,068	146,829	–	0	268,898	–
	Finance and insurance	23,889,307 (34,650,487)	5,825,675	¥120,390	16,663	29,852,038 (34,650,487)	–
	Construction and real estate	22,259	542,328	–	0	564,588	–
	Services and goods rental/leasing	1,437,939	278,026	–	30,463	1,746,429	–
	Central and local governments	3,090,246	150,078,000	–	6,075	153,174,322	–
	Others	3,810,054	–	–	290,175	4,100,230	–
	Total	32,799,428 (34,650,487)	162,937,203	120,390	352,385	196,209,408 (34,650,487)	–
Foreign	Sovereigns	6	4,462,868	–	1,251	4,464,126	–
	Financial institutions	315,661	2,976,916	70,122	4,569	3,367,269	–
	Others	425,807	5,016,905	550	8	5,443,270	–
	Total	741,475	12,456,690	70,672	5,829	13,274,667	–
Grand total		33,540,903 ¥(34,650,487)	¥175,393,893	¥191,063	¥358,214	209,484,075 ¥ (34,650,487)	–

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 currency swaps 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.

As of March 31

Exposure by Time to Maturity

	Millions of yen				
	2013				
Time to maturity	Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	¥ 25,386,414 (29,043,516)	¥ 35,160,610	¥ 17,956	¥ 44,550	¥ 60,609,531 (29,043,516)
> One and ≤ three years	635,720	48,946,748	83,599	4,505	49,670,573
> Three and ≤ five years	1,251,031	28,898,902	44,858	1,014	30,195,807
> Five and ≤ seven years	980,373	19,490,502	45,434	36	20,516,347
> Seven and ≤ ten years	550,966	28,915,600	23,975	–	29,490,542
Over ten years	2,154,438	3,482,342	121	–	5,636,902
No designated term	13,025,789	4,385,542	–	287,476	17,698,808
Total	43,984,733 ¥(29,043,516)	¥169,280,249	¥215,946	¥337,583	213,818,513 ¥ (29,043,516)

	Millions of yen				
	2012				
Time to maturity	Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	¥ 19,975,518 (34,650,487)	¥ 43,891,227	¥ 5,422	¥ 49,289	¥ 63,921,458 (34,650,487)
> One and ≤ three years	755,895	44,636,023	73,373	5,843	45,471,135
> Three and ≤ five years	768,344	31,699,016	40,890	2,693	32,510,944
> Five and ≤ seven years	1,570,014	21,741,152	32,217	48	23,343,433
> Seven and ≤ ten years	714,847	25,333,418	39,024	–	26,087,290
Over ten years	2,608,414	4,655,709	135	–	7,264,259
No designated term	7,147,867	3,437,346	–	300,339	10,885,553
Total	33,540,903 ¥(34,650,487)	¥175,393,893	¥191,063	¥358,214	209,484,075 ¥ (34,650,487)

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

Loan Write-Offs by Industry and Counterparty

There were no write-offs of loans during the fiscal years ended March 31, 2013 and 2012.

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	
	2013	2012
General reserve for possible loan losses	**¥208**	¥214
Specific reserve for possible loan losses	**–**	–
Loan loss reserve for specific overseas countries	**–**	–

Changes during the fiscal year

Years ended March 31

	Millions of yen	
	2013	2012
General reserve for possible loan losses	**¥(6)**	¥(15)
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 98.

By Industry

Balance at the end of the fiscal year

As of March 31

	Millions of yen	
	2013	2012
General reserve for possible loan losses	**¥208**	¥214
Specific reserve for possible loan losses	**–**	–
Loan loss reserve for specific overseas countries	**–**	–

Changes during the fiscal year

Years ended March 31

	Millions of yen	
	2013	2012
General reserve for possible loan losses	**¥(6)**	¥(15)
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 98.

Exposure by Risk Weight Classification

As of March 31

	Millions of yen			
	2013		2012	
Risk weight	Rated	Not rated	Rated	Not rated
0%	**¥168,333,759**	**¥47,770,475**	¥167,762,678	¥52,287,168
10%	**–**	**4,887,048**	–	5,260,547
20%	**12,135,307**	**–**	10,252,173	–
35%	**–**	**–**	–	–
50%	**4,201,053**	**–**	2,988,754	–
75%	**–**	**–**	–	–
100%	**2,740,029**	**2,726,416**	2,001,393	3,581,847
150%	**67,936**	**–**	–	–
Others	**3**	**–**	–	–
Capital deductions	**–**	**–**	–	–
Total	**¥187,478,089**	**¥55,383,940**	¥183,004,999	¥61,129,562

Notes: 1. Ratings are limited to those rated by qualified rating agencies.
2. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after application of the credit risk mitigation methods.
3. The portion of exposure from assets qualified for credit risk mitigation methods was allocated to risk weight categories after the application of credit risk mitigation methods.

Credit Risk Mitigation 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.

Currently, there are no such transactions.

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

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

• Outline of Policies and Procedures for Legally Applying Close-Out Netting Contracts for Derivative Transactions as well as Repurchase Transaction Agreements and the Type and Scope of Transactions to which this Method Is Applied

Not applicable.

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

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

Exposure After Applying Credit Risk Mitigation

As of March 31

	Millions of yen			
	2013		2012	
Item	Exposure	%	Exposure	%
Eligible financial collateral	**¥47,346,924**	**87.59**	¥48,946,930	87.02
Guarantees	**6,703,773**	**12.40**	7,300,758	12.97
Total	**¥54,050,698**	**100.00**	¥56,247,688	100.00

Notes: 1. The categories of eligible financial collateral used by the Bank include cash, self deposits, and securities.
2. The major guarantors used by the Bank are the national government and corporations. The use of these guarantors lowers risk weights more than non-guaranteed debts.
3. Does not include exposure in funds that include investment trusts, etc.

Derivative Transactions and 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 these contracts is deemed to be minor.

At the end of the fiscal year ended March 31, 2013, collateral provided for these derivative transactions amounted to ¥771,246 million.

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

• Policy on Credit Line Limit and Risk Capital Allocation Method

The Bank assigns debtor ratings to all derivative transaction counterparties. The Bank sets credit line limits based on these ratings and conducts regular monitoring on a daily basis to ensure appropriate management of credit risk. The Bank uses the Current Exposure Method in determining the amount of credit outstanding as part of its credit risk management. This method takes into consideration the market value 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					
	2013			2012		
Item	Gross replacement costs	Gross add-on amounts	Net credit equivalents	Gross replacement costs	Gross add-on amounts	Net credit equivalents
Interest rate-related transactions:						
Interest rate swaps	¥ 842	¥ 42,726	¥ 43,568	¥ 1,720	¥ 45,278	¥ 46,999
Currency-related transactions:						
Currency swaps	2,472	134,228	136,700	6,690	76,614	83,305
Forward foreign exchange contracts	4,398	31,277	35,676	28,711	32,046	60,758
Long-settlement transactions	0	0	0	–	–	–
Total	¥7,713	¥208,232	¥215,946	¥37,123	¥153,940	¥191,063

Notes: 1. Net credit equivalents are calculated using the Current Exposure Method.
2. There are no outstanding credit risk exposures to which credit risk mitigation methods were applied.
3. Gross replacement costs for which reconstruction costs were less than zero are not included.
4. Derivative transactions and long-settlement transactions are recorded only for transactions that require the calculation of net credit equivalents.
5. Does not include exposure in funds that include investment trusts, etc.

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 refers to external credit ratings and examines closely the quality of underlying assets, the structure of senior and subordinate rights, and the details of the securitization scheme. In view of these procedures, it assigns ratings to debtors as with other marketable securities and makes acquisitions within the credit line limits. Following acquisition, the Bank monitors the external credit ratings, the recovery of the underlying assets and other indicators. Furthermore, credit risks related to 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 exposure to these risks 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)
- Standard & Poor's Ratings Services (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 2013	2012
Mortgage loans	**¥258,922**	¥106,316
Auto loans	**2,645**	6,479
Leases	**771**	7,272
Accounts receivable	**1,080**	5,954
Corporate loans	**94,889**	95,001
Others	**2,944**	4,408
Total	**¥361,254**	¥225,433

Notes: 1. There are no off-balance sheet transactions.
2. The above figures are not risk-weighted assets calculated in accordance with Article 15 of the Supplementary Provisions to the Capital Adequacy Notification.

Re-Securitization Exposure and Breakdown by Type of Main Underlying Assets

As of March 31

Type of underlying assets	Millions of yen 2013	2012
Mortgage loans	**¥5,059**	¥5,651
Auto loans	**–**	–
Leases	**–**	–
Accounts receivable	**–**	–
Corporate loans	**–**	–
Others	**–**	–
Total	**¥5,059**	¥5,651

Notes: 1. There are no off-balance sheet transactions.
2. The above figures are not risk-weighted assets calculated in accordance with Article 15 of the Supplementary Provisions to the Capital Adequacy Notification.

Balance by Risk Weight of Securitization Exposure and Amount of Capital Requirements (Excluding Re-Securitization Exposure)

As of March 31

	Millions of yen			
	2013		2012	
Risk weight	Balance	Capital requirements	Balance	Capital requirements
Less than 20%	**¥ 97,834**	**¥ 391**	¥ 99,409	¥ 397
20%	**263,419**	**2,107**	126,023	1,008
50%	**–**	**–**	–	–
100%	**–**	**–**	–	–
350%	**–**	**–**	–	–
Capital deductions	**–**	**–**	–	–
Total	**¥361,254**	**¥2,498**	¥225,433	¥1,405

Notes: 1. There are no off-balance sheet transactions.
2. The above figures are not risk-weighted assets calculated in accordance with Article 15 of the Supplementary Provisions to the Capital Adequacy Notification.
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

	Millions of yen			
	2013		2012	
Risk weight	Balance	Capital requirements	Balance	Capital requirements
Less than 40%	–	–	–	–
40%	¥5,059	¥80	¥5,651	¥90
100%	–	–	–	–
225%	–	–	–	–
650%	–	–	–	–
Capital deductions	–	–	–	–
Total	¥5,059	¥80	¥5,651	¥90

Notes: 1. There are no off-balance sheet transactions.
2. There were no credit risk mitigation techniques applied to re-securitization exposure.
3. The above figures are not risk-weighted assets calculated in accordance with Article 15 of the Supplementary Provisions to the Capital Adequacy Notification.
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 51 (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

See Pages 45–46 (Market Risk Management/Market Liquidity Risk Management).

See Pages 47–50 (Credit Risk Management).

1. Balance Sheet Amounts and Fair Values

As of March 31

	Millions of yen			
	2013		2012	
	Balance sheet amount	Fair value	Balance sheet amount	Fair value
Exposure to listed equities, etc.	**–**	**¥–**	–	¥–
Exposure to investments or equities, etc., other than above	**¥231,551**	**/**	¥221,376	/
Total	**¥231,551**	**/**	¥221,376	/

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

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

Years ended March 31

	Millions of yen	
	2013	2012
Gains (Losses):	**¥–**	¥–
Gains	**–**	–
Losses	**–**	–
Write-offs	**–**	–

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

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

Years ended March 31

	Millions of yen	
	2013	2012
Unrealized gains (losses) recognized on the balance sheets but not on the statements of income	**¥928**	¥813

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

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

Years ended March 31

	Millions of yen	
	2013	2012
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 45–46 (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 45–46 (Market Risk Management/Market Liquidity Risk Management).

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

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

As of March 31

	Billions of yen	
	2013	2012
Amount of loss (A)	**¥ 793.2**	¥ 964.6
Capital (broad category, Tier I + Tier II) (B)	**9,144.0**	8,863.6
Loss-to-capital ratio (A)/(B) (%)	**8.67**	10.88

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. 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."

CORPORATE DATA

Corporate name	JAPAN POST BANK Co., Ltd.
Date of establishment	September 1, 2006
President & CEO	Yoshiyuki Izawa
Address of head office	1-3-2 Kasumigaseki, Chiyoda-ku, Tokyo 100-8798, Japan
Capital	¥3,500,000 million
Shareholder	JAPAN POST HOLDINGS Co., Ltd. (Ownership ratio: 100%)
Number of employees	12,922 (As of March 31, 2013)

OVERSEAS REPRESENTATIVE OFFICE DATA

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JAPAN POST BANK

VEGETABLE OIL INK

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