2014

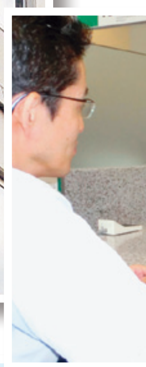
JAPAN POST BANK Annual Report

Year ended March 31, 2014

JAPAN POST BANK

MANAGEMENT PHILOSOPHY

JAPAN POST BANK aims to become
“the most accessible and trustworthy bank in Japan.”



CONTENTS

The JAPAN POST GROUP has many post offices richly steeped in local characteristics throughout Japan. We look to these post offices in upholding our important relationships with customers.

Cautionary Statement

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

All figures and percentages in this report are rounded down for presentation, and therefore the totals may not be equal to the sum of the presented figures. The figures and percentages are information as of March 31, 2014, unless separately noted.

Unless the context otherwise, references in this report to "we," "us," "our," the "Bank" or similar terms are to JAPAN POST BANK.

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

The JAPAN POST GROUP aims to be "an integrated lifestyle-support corporate group" that supports every aspect of customers' daily lives. As a member of the JAPAN POST GROUP, JAPAN POST BANK will continue working 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 2014

In the year ended March 31, 2014, the global economy continued to show signs of recovery, primarily in developed countries. The U.S. economy continued to experience moderate growth, and an upturn in the European economy became evident. Meanwhile, the Chinese economy expanded at a gradual pace.

The Japanese economy also grew at a moderate pace. As corporate earnings improved, capital investment rebounded and public works spending increased. Consumer spending and housing investment trends held firm against a backdrop of improving employment and income levels. In addition, demand surged towards the end of the fiscal year ahead of the increase in Japan's consumption tax rate.

The financial market saw a temporary increase in the volatility of domestic long-term interest rates (10-year Japanese Government Bond (JGB) yield), after the Bank of Japan introduced quantitative and qualitative monetary easing in April 2013. Thereafter, interest rates stabilized gradually and have remained at around 0.6% since the turn of the year. The foreign exchange and stock markets saw a continued trend toward depreciation of the yen and appreciation of stock prices until the end of the year. The markets have remained mostly flat since then with some ups and downs along the way, reflecting in part stronger risk aversion toward emerging markets among investors and other factors.

Under these economic circumstances, I am pleased to report that the Bank worked positively to diversify earnings sources and reduce costs, although interest income declined due to a continuation of low interest rates. As a result, we successfully earned net income of ¥354.6 billion for the year ended March 31, 2014, which exceeded our earning forecasts.

Initiatives in the Fiscal Year Ended March 2014

During the past fiscal year, we made steady progress strengthening our business base by pushing on with the following measures under our goal, "No. 1 in customer satisfaction," which was defined as an ambitious theme for all of the Bank's employees to embrace.

On the sales and marketing front, through cooperation with the post offices of JAPAN POST Co., Ltd., we strove to increase accessibility of our products and services among younger customers such as university students and young adults entering the workforce, and to reinforce relationships with existing customers. In parallel, we endeavored to enhance products and services to respond to various customer needs. Specifically, we launched new initiatives such as starting seminars during evening hours and on weekends and holidays, in addition to expanding and upgrading our lineup of investment trusts following the inception of the Nippon Individual Savings Account (NISA) system. For corporate customers, we

Yoshiyuki Izawa
President & CEO

worked to bolster marketing capabilities mainly by bringing the entire JAPAN POST GROUP together to comprehensively propose various types of services.

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

Furthermore, we continued to enhance our internal control under our rigorous policy of "Compliance First." While continuing to put procedures in place for refusing relationships with anti-social forces, we reinforced online security for "JAPAN POST BANK Direct," our Internet service, to ensure that customers can use this service securely and with confidence. We also strove to refine our crisis management system so we are prepared for a major natural disaster.

Having positioned the development of human resources as one of our most important management themes, we worked to further strengthen training programs, on-the-job training (OJT) and other measures. At the same time, we advanced bank-wide 'Business Process Re-engineering' (BPR), primarily by utilizing IT and raising operational efficiency. These efforts were directed at enhancing productivity and reducing costs.

Initiatives and Issues in the Fiscal Year Ending March 2015

We have set the following three basic policies for the year ending March 2015: emphasize the public service and region-focused nature of our operations; respond to various financial needs of customers; and secure stable income. Guided by these policies, we will work on the following themes to make steady progress toward strengthening our earnings capacity and business base using the post-office network.

■ Sales Strategies

We will endeavor to increase total deposits, strengthen fee-based businesses, and enhance corporate relationship by upgrading various types of products and services, so that we can meet a wide array of customer needs. At the same time, we will cooperate more closely with post offices to make the Bank accessible to numerous customers via the post-office network across Japan. We will continue to focus on human resources development initiatives for employees by upgrading various training programs, with the aim of providing higher quality services.

We will also do our utmost to ensure steady earnings by exploring the development of new services that take full advantage of the JAPAN POST GROUP's integrated strengths.

■ ALM Strategy

While keeping an eye on global economic trends, financial policies and other factors, we will strive to secure more stable earnings through the broadening of investment categories based on appropriate risk management according to market conditions. We will also work to strengthen foreign currency procurement and portfolio management systems and upgrade risk management and credit assessment systems by sophisticating our risk-monitoring and credit evaluation.

■ Internal Control Procedures

Under the rigorous policy "Compliance First," we will continue striving to foster stronger compliance awareness. In addition, we will continue to forge steadily ahead with our business improvement plan formulated in response to the Order to Improve Business Operations imposed by the Financial Services Agency in December 2009.

Additionally, we will endeavor to enhance our internal control procedures through such means as continuing to promote measures to refuse relationships with anti-social forces.

Furthermore, we will reinforce online security for our Internet services to ensure that customers can utilize these services with confidence.

■ Management Approaches

We will strive to enhance the development of human resources. To this end, we will work to utilize human resources effectively by introducing a new personnel system and making strategic personnel assignments. Efforts will also be made to develop systems and streamline work processes further as part of bank-wide BPR initiatives.

A Member of the JAPAN POST GROUP

The JAPAN POST GROUP aims to be "an integrated lifestyle-support corporate group" that supports every aspect of customers' lives through the post-office network.

As a member of the Group, the Bank will seek to capture synergies by fostering closer cooperation with JAPAN POST Co., Ltd. and harnessing the JAPAN POST GROUP's integrated strengths.

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

July 2014

Yoshiyuki Izawa
President & CEO

Profile

JAPAN POST BANK opened for business in October 2007 as a member of the JAPAN POST GROUP. It offers financial services for mainly individuals through a network comprising 234 branches and about 24,000 post offices across the country.

The origin of JAPAN POST BANK dates back approximately 140 years to the birth of postal savings accounts in Japan. Throughout its long history, these accounts were used by many Japanese citizens to deposit their savings with the post offices.

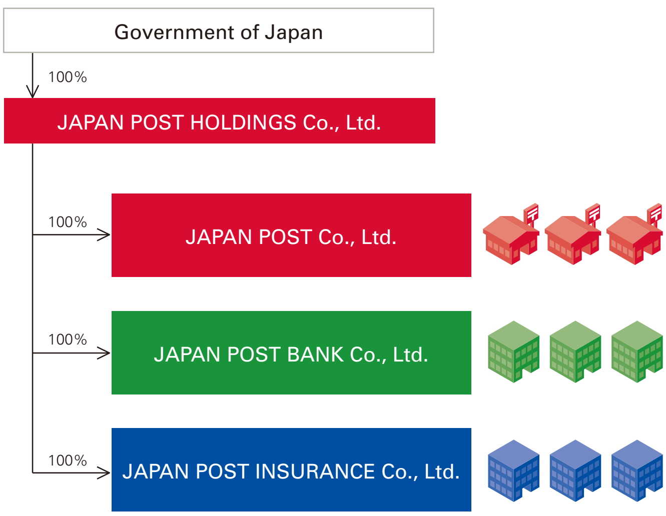
Since assuming custody of these savings accounts, we have strived to implement a management philosophy of being “the most accessible and trustworthy bank in Japan.” In April 2008, the Bank began offering services including credit cards, agency sales of variable annuities policies for individuals and the intermediation of loans for individuals. We made financial transfers to and from other financial institutions available to our customers when the Bank joined the Zengin Data Telecommunication System (“Zengin System”) in January 2009. In May 2012, the Bank began offering subscriptions to investment trusts through *JAPAN POST BANK Investment Trust Premier*—a members-only investment trust brokerage service on the Internet. The Bank also began handling investment products in compliance with Nippon Individual Savings Account (NISA), when Japan launched this capital gain and dividend income tax exemption provision for individual investors in January 2014.

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, 2014



In addition to the cash card, customers can bring along a passbook to record their balance. This passbook can be used at all JAPAN POST BANK branches, post offices and ATMs throughout Japan.

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

Origins

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

Hisoka Maejima

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 approximately 10,000 customers.

Popularization of the Concept of Finance

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. The system also promoted savings accumulation and popularized the concept of financial services among individuals.

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.

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

History of JAPAN POST BANK

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.


A postal deposit passbook circa 1875

1906

Began money transfers between postal savings accounts nationwide.


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

1870 1880 1890 1900 1910 1920 1930 1940

1882

The Bank of Japan established.

1929

The Great Depression erupts.

1944

The Bretton Woods agreement concluded.

Relevant History of the World and Japan

Contribution to Modernizing Japan

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.

1981
ATM services were first offered.

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

2009
JAPAN POST BANK initiates domestic fund transfer services with other financial institutions upon joining the Zengin Data Telecommunication System (Zengin System)

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

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

1950 1960 1970 1980 1990 2000 2010 2020

1945
The International Monetary Fund (IMF) established.

1973
The system of floating foreign exchange markets introduced.

1985
The Plaza Accord concluded.

1997
The Asian financial crisis erupts.

1999
The euro was born.

Some photos provided courtesy of the Postal Museum Japan

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

ACCESSIBLE

Number of Domestic Outlets
(As of March 31, 2014)

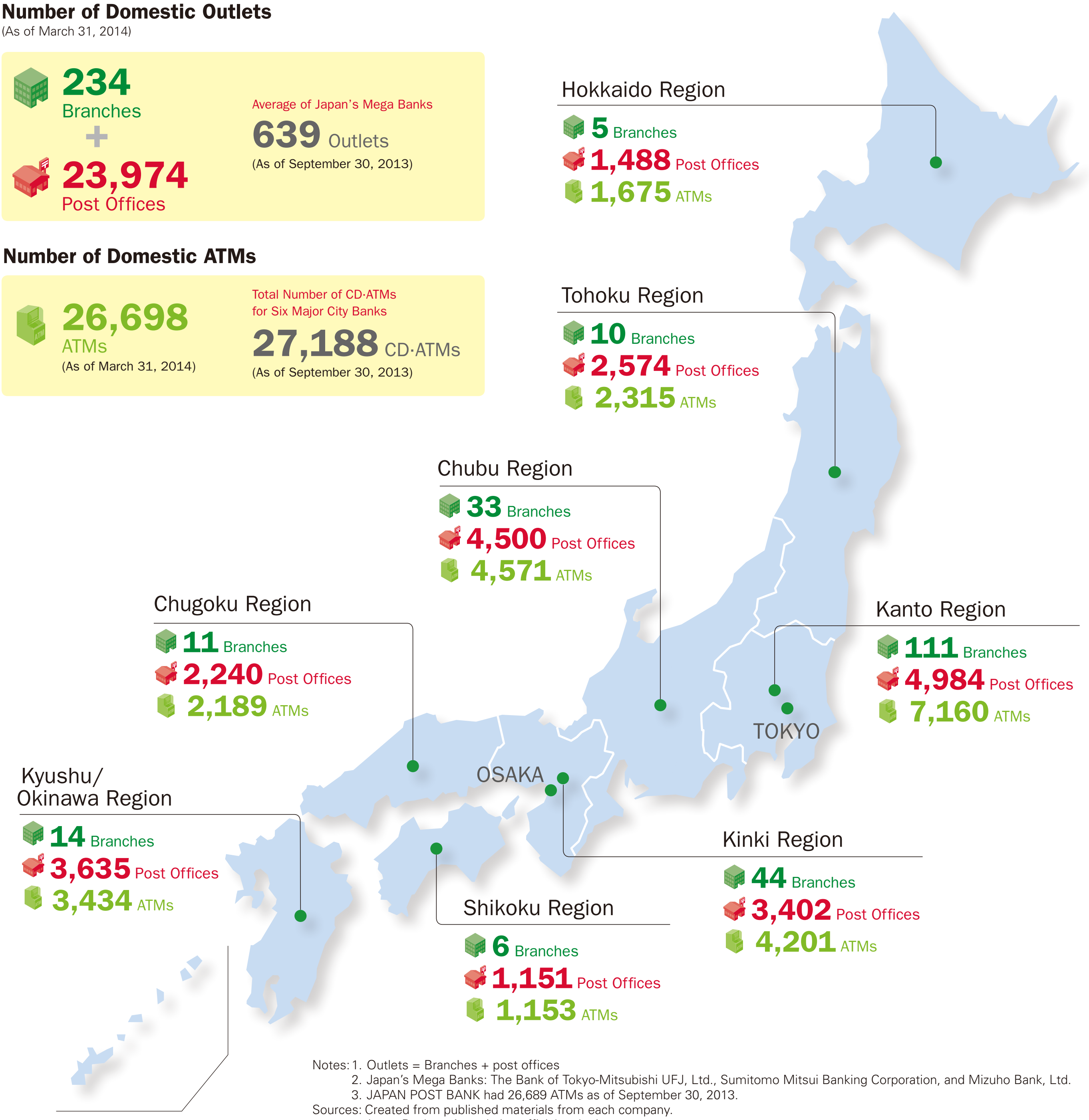
234 Branches
\+
23,974 Post Offices

Average of Japan's Mega Banks
639 Outlets
(As of September 30, 2013)

Number of Domestic ATMs

26,698 ATMs
(As of March 31, 2014)

Total Number of CD·ATMs for Six Major City Banks
27,188 CD·ATMs
(As of September 30, 2013)



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 26,689 ATMs as of September 30, 2013.
Sources: Created from published materials from each company.
Japan Bankers Association official web site

The Bank has built up a deposit base of ¥176 trillion ($1,716 billion) through historical concerted efforts spanning its nearly 140 years—
a testament to two forms of value: “Accessible” and “Trustworthy.” Looking ahead, the Bank remains committed to providing these two forms of value to its customers, with the aim of achieving sustainable growth into the future.

Providing financial services through the division of roles

JAPAN POST Co., Ltd.

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

JAPAN POST BANK Co., Ltd.

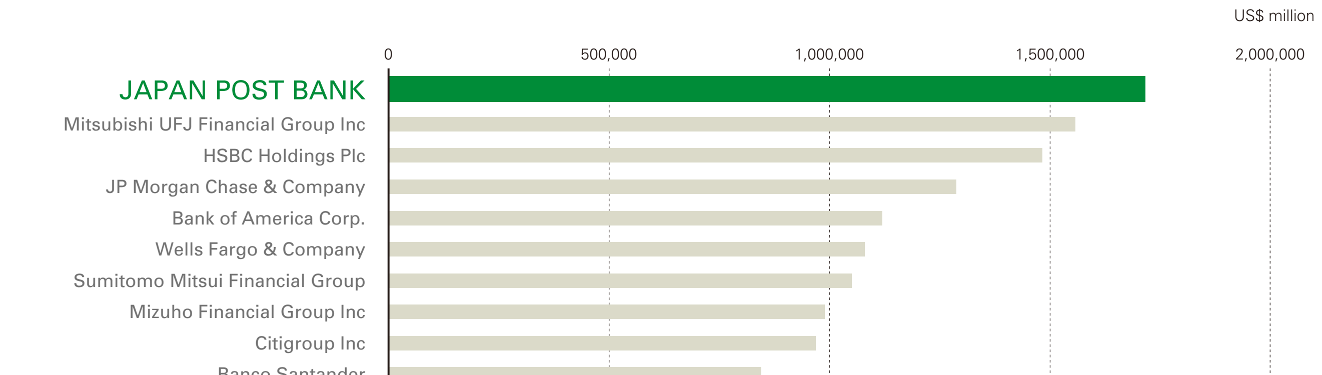
- Development of financial products that meet fundamental customer needs
- Conservative investment of deposits and implementation of sales promotions and campaigns
- Implementation of marketing education and training for post office employees

TRUSTWORTHY

Massive Deposit Base

Over the past nearly 140 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, 2014, others as of December 31, 2013. Calculated based on foreign exchange rates as of the respective fiscal year-end.
Source: Created from published materials

BUSINESS MODEL

"The most accessible and trustworthy bank in Japan"

JAPAN POST GROUP strives as a group to be a "an integrated lifestyle-support corporate group" through its products and services tailored to the different lifestyles and life stages of customers, and offered through various channels. The Bank's mission is to provide universal banking services with equal access for individuals to essential banking needs in every reach of the country, and to be "No.1 in customer satisfaction" in Japan.

Our basic business model

Business Model		
	Customer base	■ Mostly individuals in Japan
	Channels	■ Nationwide accessible Network - Branches (234) - The post-office network (about 24,000) (Our main channel) - ATMs
	Products and Services	■ Basic financial services for individual customers - deposits - money transfers - loans for retail
	Asset management	■ Investment in marketable securities - mainly Japanese Government Bonds - diversifying the asset portfolio (increasing investment in Japanese local government bonds, Japanese corporate bonds, and foreign bonds.)

Banking Business

The JAPAN POST GROUP has unveiled a Group Vision for 2021, the year marking our 150th anniversary, under which JAPAN POST BANK will implement the following initiatives to develop the Group's banking business.

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

(1) Serve public interests and address local needs
→ Contribute to convenient living by offering universal banking services
→ Retain regional deposits in the local economy and society

(2) Tailor services to customers' individual financial needs
→ Offer products that meet the needs of customers at different life stages

(3) Maintain stable profits
→ Enhance profitability by expanding operations

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

Various Initiatives for Winning Over Young Customers

JAPAN POST BANK is Japan's most accessible retail bank, serving a wide range of generations from young children through to senior citizens. As Japan's population continues to age with a declining birthrate, one of our key growth strategies going forward is to appeal to young people as potential future customers.

The Bank is focusing on campaigns and services targeting young customers with the aim of expanding the services it provides from long-standing customers to new customers in their late teens and twenties who are about to join the workforce. To encourage the use of the Bank's services going forward, the Bank has conducted campaigns in which young customers who have begun receiving their pay through the Bank have been chosen by lottery to win gift cards and prizes. Various other initiatives aimed at boosting customer satisfaction of the young include issuing credit cards that offer cardholders the accumulation of more incentive points than the Bank's other credit cards for customers in general.

The promotion of JP BANK VISA card ALente

JP BANK CARD ALente

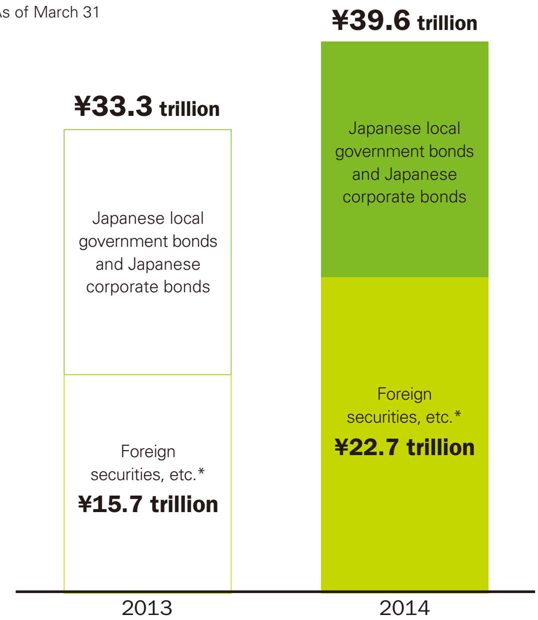
JP BANK CARD EXTAGE

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.

Statements of Income

Years ended March 31	Millions of yen 2014	2013	2012	2011	2010	Thousands of U.S. dollars 2014
Gross operating profit:	**¥1,568,715**	¥1,624,329	¥1,670,002	¥1,718,949	¥1,710,447	**$15,242,085**
Net interest income	**1,470,268**	1,532,152	1,677,349	1,686,472	1,621,305	**14,285,546**
Net fees and commissions	**92,690**	88,126	88,460	87,990	86,162	**900,605**
Net other operating income (loss)	**5,756**	4,050	(95,806)	(55,514)	2,979	**55,932**
General and administrative expenses*1	**1,096,028**	1,111,521	1,174,532	1,210,195	1,221,290	**10,649,321**
Operating profit (before provision for general reserve for possible loan losses)	**472,687**	512,808	495,470	508,753	489,157	**4,592,763**
Net ordinary income	**565,095**	593,535	576,215	526,550	494,252	**5,490,625**
Net income	**354,664**	373,948	334,850	316,329	296,758	**3,446,025**

Balance Sheets

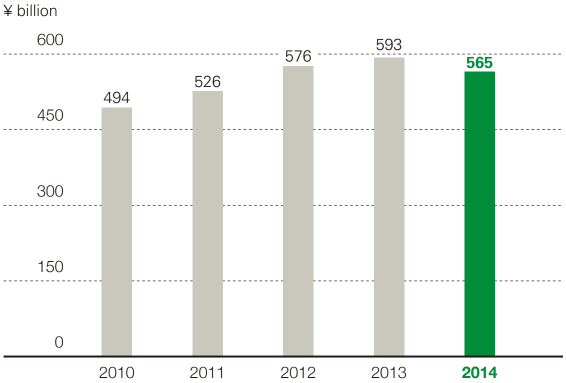
As of March 31	Millions of yen 2014	2013	2012	2011	2010	Thousands of U.S. dollars 2014
Total assets:	**¥202,512,882**	¥199,840,681	¥195,819,898	¥193,443,350	¥194,678,352	**$1,967,672,783**
Securities	**166,057,886**	171,596,578	175,953,292	175,026,411	178,230,687	**1,613,465,665**
Loans	**3,076,325**	3,967,999	4,134,547	4,238,772	4,022,547	**29,890,457**
Total liabilities:	**191,048,358**	188,843,123	186,001,735	184,349,715	185,838,804	**1,856,280,202**
Deposits	**176,612,780**	176,096,136	175,635,370	174,653,220	175,797,715	**1,716,020,020**
Total net assets	**11,464,524**	10,997,558	9,818,162	9,093,634	8,839,547	**111,392,581**

Key Indicators and Others

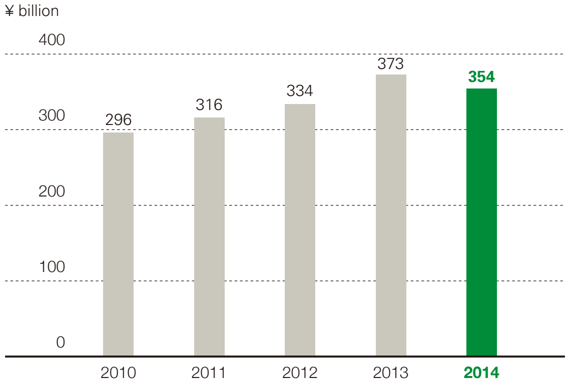
Years ended March 31	2014	2013	2012	2011	2010
Net income to assets (ROA)*2	**0.17%**	0.18%	0.17%	0.16%	0.15%
Net income to equity (ROE)*3	**3.15%**	3.59%	3.54%	3.52%	3.48%
Expense-to-deposit ratio*4	**0.61%**	0.63%	0.66%	0.68%	0.68%
Capital adequacy ratio (non-consolidated, domestic standard)*5	**56.81%**	66.04%	68.39%	74.82%	91.62%
Tier I capital ratio	**—**	66.03%	68.39%	74.81%	91.61%
Number of employees*6	**12,963**	12,922	12,796	12,351	12,060
Number of outlets	**24,208**	24,215	24,249	24,248	24,185
Number of ATMs	**26,698**	26,669	26,557	26,331	26,191

Notes: 1. General and administrative expenses exclude non-recurring losses.
2. ROA = net income / [(sum of total assets at the beginning and the end of the period) / 2] x 100
3. ROE = net income / [(sum of total net assets at the beginning and the end of the period) / 2] x 100
4. Expense-to-deposit ratio = (general and administrative expenses / average deposit balances) x 100
5. Capital adequacy ratios (non-consolidated, domestic standard) are calculated based on standards stipulated by Article 14-2 of the Banking Act for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments (Notification No. 19, the Financial Services Agency of Japan, 2006). The Bank has applied Japanese domestic Basel III capital adequacy standards since the year ended March 2014.
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 have been translated at the rate of ¥102.92 to U.S.$1.00.

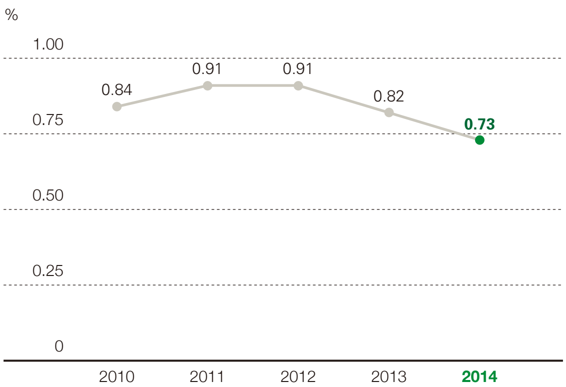
Net Ordinary Income
Years ended March 31



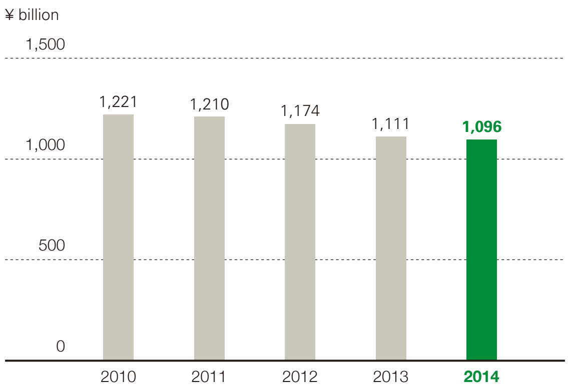
Net Income
Years ended March 31



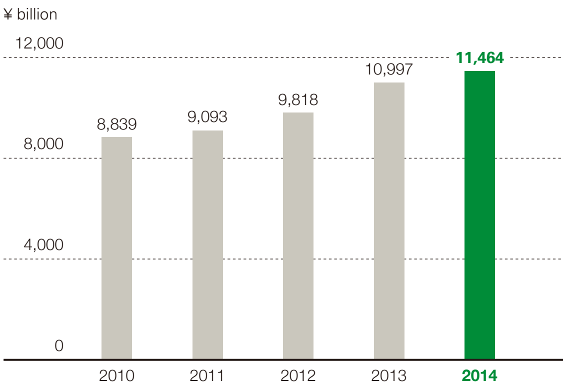
Net Interest Spread (Gross Margin)
Years ended March 31



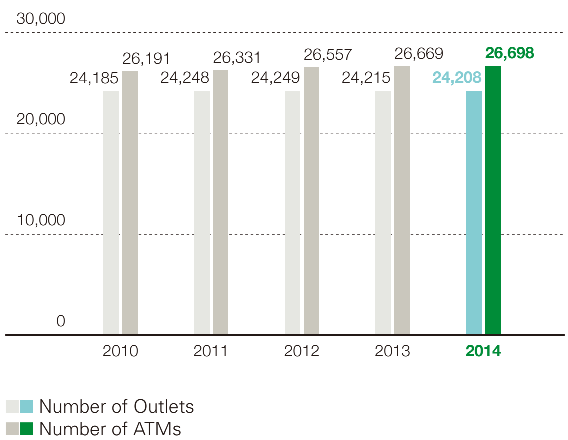
General and Administrative Expenses
Years ended March 31



Net Assets
As of March 31



Number of Outlets / Number of ATMs
As of March 31



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 nine members. Three of the directors also serve as Executive Officers, and the other six 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.

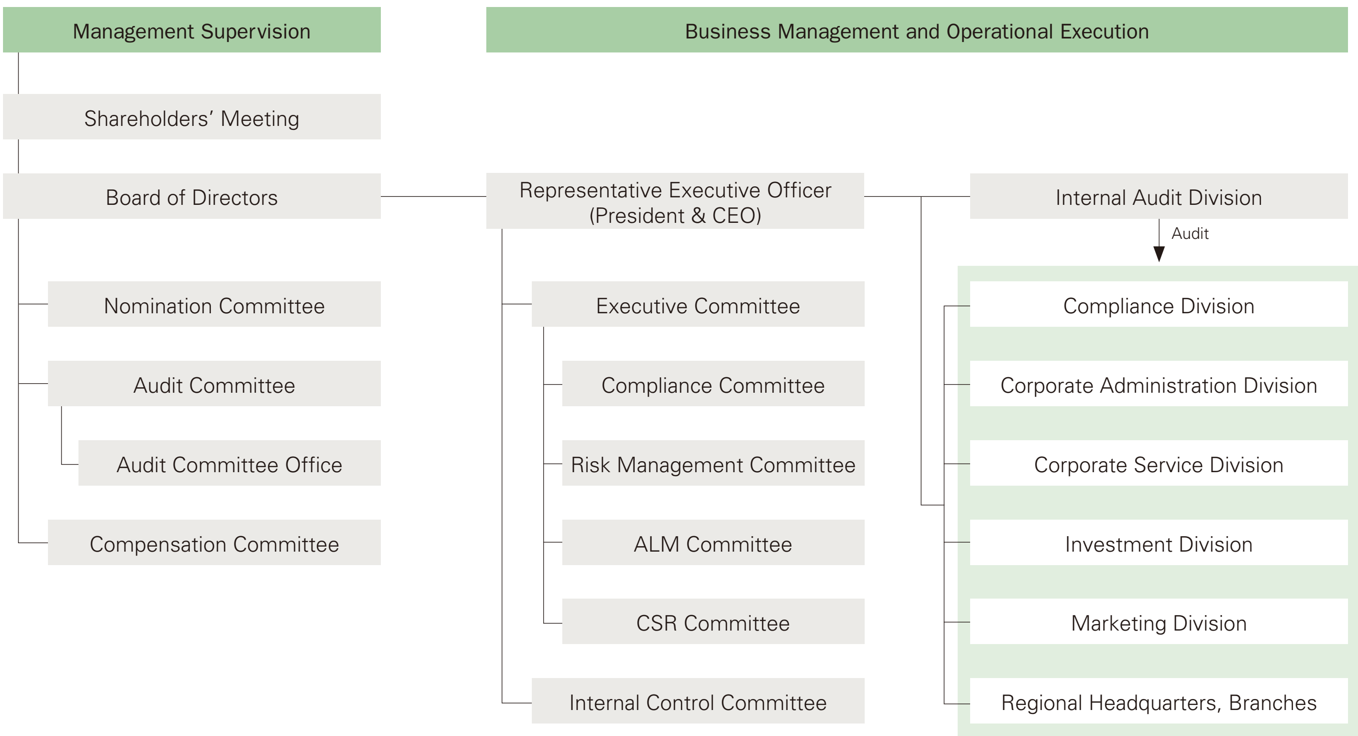
ALM Committee

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.

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

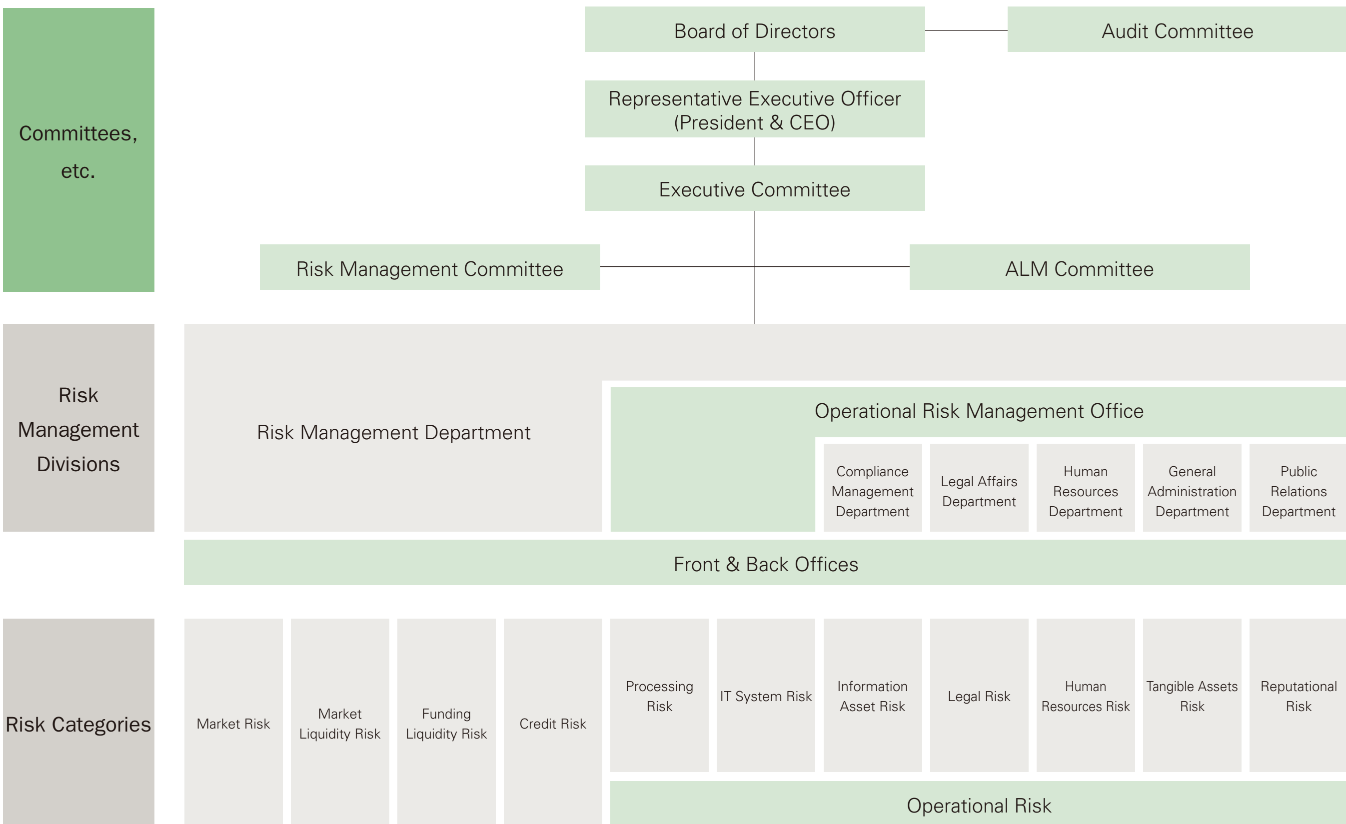
We have established risk management entities for each risk category as well as the Risk Management Department, which is responsible for monitoring the risks within the risk categories in an integrated manner in order to ensure the effectiveness of our comprehensive risk management. The Risk Management 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 has been applied since March 31, 2007 and is based on three pillars. Pillar 1 is minimum regulatory capital ratio. 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 are required to comply with all provisions of Basel II.

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, while Basel III, which has been applied since March 31, 2014 as the domestic standard, requires further bolstering of capital in terms of both quality and quantity. We comply with all provisions of Basel 2.5 and Basel III.

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

Integrated Risk Management

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

In our quantitative approach, we have introduced integrated risk management that quantifies and controls risk. Specifically, we establish in advance a total amount of equity capital that is available to take on risk, or risk capital. Risk capital is then allocated to each business in accordance with the type of expected risk and nature of the business activities. To quantify market risk and credit risk and control risk exposure, we use value at risk ("VaR") techniques. VaR is a statistical method used to compute the maximum expected loss based on assets and liabilities held at given probabilities and for given periods of time. In 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.

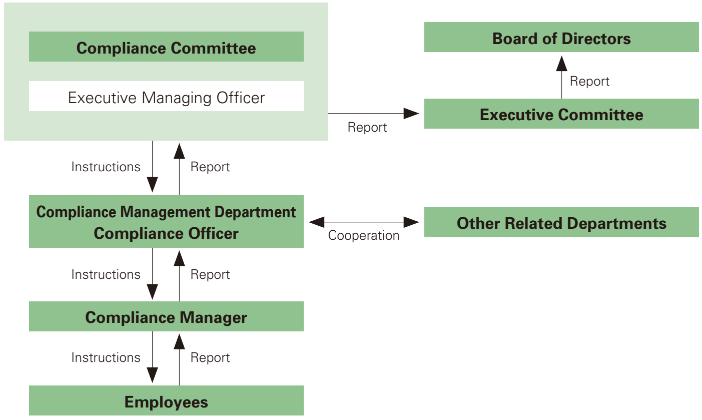
In our qualitative approach, which is used in conjunction with the quantitative methodology, we assess the nature of the risks. For instance, for operational risk we have established a plan, do, check, action ("PDCA") cycle that recognizes, evaluates, manages, and mitigates risk across our business activities.

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

Compliance 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 promote work-life balance and build a better corporate culture where employees can succeed by demonstrating their abilities to the fullest, while taking a positive approach to both work and private life.

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 with disabilities 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 offer free money transfers for natural disaster relief donations, emergency handling of deposits, and trained volunteers for those with dementia; participate in clean-up activities and events held by local communities and the surrounding branches; and produce postcards featuring illustrations by artists who are physically challenged and hand these postcards out to our customers.

Examples of Activities

"JAPAN POST BANK Deposits for International Aid"

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

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, 2014 we had received 716,330 applications for the program, and a total of ¥16,172,057 has been donated.

"JAPAN POST BANK Deposits for International Aid" logo

Piggy Bank Design Contest for Children

With the objectives of heightening children's interest in saving and fostering their artistic creativity by making piggy banks, we hold the JAPAN POST BANK original piggy bank design contest for 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 2014 marked the 38th contest. We received 812,726 piggy bank entries from 11,527 elementary schools across Japan.

In the fiscal year ended March 2014, we donated ¥10 for every piggy bank entry received (a total of ¥8,127,260) to the Japan Committee for UNICEF and JICA. Each fund was given ¥4,063,630 to use to provide aid to children suffering from poverty and illness in developing countries. Children who attended our exhibitions could also take part in a postcard workshop using hand stamps made from vegetables. Children could use a special on-site postbox to mail the postcards they had created and learn the enjoyment of sending postcards.

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

Protecting the Environment

The JAPAN POST GROUP identifies global warming, sustainable forests, and effective use of resources as three key environmental issues the Group 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, conserve resources 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.

"JP Forest" Creation

The JAPAN POST GROUP has established the JP Forest to actively engage in community forestry activities with directors and employees taking part voluntarily in collaboration with NPOs and other organizations to plant and raise trees as a shared CSR activity aimed at promoting sustainable forests. Forestry activities held in June 2014 involved 120 employees and their families taking part.

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

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
Tomoyoshi Arita	Outside Director
Taizou Nishimuro	Outside Director
Yoshifumi Iwasaki	Outside Director
Yoshizumi Nezu	Outside Director
Sawako Nohara	Outside Director
Tetsu Machida	Outside Director

Nomination Committee

Taizou Nishimuro	Chairman
Yoshifumi Iwasaki	
Yoshizumi Nezu	

Audit Committee

Tomoyoshi Arita	Chairman
Sawako Nohara	
Tetsu Machida	

Compensation Committee

Taizou Nishimuro	Chairman
Yoshifumi Iwasaki	
Yoshizumi Nezu	

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
Satoshi Hoshino	Senior Managing Executive Officer
Riki Mukai	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
Satoru Ogata	Executive Officer
Minoru Kotouda	Executive Officer
Fujie Kawasaki	Executive Officer

(As of July 1, 2014)

ORGANIZATION

As of July 1, 2014

- **Shareholders' Meeting**
  - **Board of Directors**
    - Nomination Committee
    - Audit Committee
      - **Audit Committee Office**
    - Compensation Committee
    - **Representative Executive Officer (President & CEO)**
      - **Executive Committee**
        - **Special Committees**
          - Compliance Committee
          - Risk Management Committee
          - ALM Committee
          - CSR Committee
      - **Internal Control Committee**
      - **Internal Audit Division**
        - Internal Audit Planning Department
      - **Compliance Division**
        - Compliance Management Department
        - 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
        - Corporate Sales Department
        - Marketing Department 3
        - Marketing Administration Department
        - Loan Marketing Department
        - **Credit Card Collection Service Center (1)**
      - Regional Headquarters, Branches

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	12,963 (As of March 31, 2014)

OVERSEAS REPRESENTATIVE OFFICE DATA

London Representative Office	7th Floor Milton Gate, 60 Chiswell Street London EC1Y 4SA, United Kingdom Tel: +44-(0)20-7382-0310
Hong Kong Representative Office	Suites 2304-5, 23rd Floor Tower 2, The Gateway, 25 Canton Road Tsimshatsui, Kowloon, Hong Kong Tel: +852-3104-3297

FINANCIAL SECTION

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, 2014 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, 2014	Fiscal year ended March 31, 2013	Difference
Gross operating profit:	**¥1,568,715**	¥1,624,329	¥(55,614)
Net interest income	**1,470,268**	1,532,152	(61,884)
Net fees and commissions	**92,690**	88,126	4,563
Net other operating income (loss)	**5,756**	4,050	1,705
General and administrative expenses (excluding non-recurring losses):	**1,096,028**	1,111,521	(15,492)
Personnel expenses	**123,318**	119,703	3,615
Non-personnel expenses	**913,615**	926,615	(13,000)
Taxes and dues	**59,094**	65,202	(6,108)
Operating profit (before provision for general reserve for possible loan losses)	**472,687**	512,808	(40,121)
Net operating profit	**472,687**	512,808	(40,121)
Non-recurring gains (losses)	**92,407**	80,727	11,680
Net ordinary income	**565,095**	593,535	(28,440)
Extraordinary income (loss)	**(628)**	(1,983)	1,355
Income before income taxes	**564,467**	591,552	(27,085)
Net income	**¥ 354,664**	¥ 373,948	¥(19,283)

Net Operating Profit

In the fiscal year ended March 31, 2014, gross operating profit was ¥1,568.7 billion, a decrease of 3.42% from ¥1,624.3 billion in the fiscal year ended March 31, 2013. This decrease was mainly attributable to a decline of ¥61.8 billion in net interest income.

General and administrative expenses (excluding non-recurring losses) were ¥1,096.0 billion, a year-on-year decrease of 1.39% from ¥1,111.5 billion.

As a result, net operating profit was ¥472.6 billion, a decrease of 7.82% from ¥512.8 billion in the fiscal year ended March 31, 2013.

Net ordinary income was ¥565.0 billion, a decrease of 4.79% from ¥593.5 billion in the fiscal year ended March 31, 2013.

Net income was ¥354.6 billion, a decrease of 5.15% from ¥373.9 billion in the fiscal year ended March 31, 2013.

Net Interest Income

Net interest income was ¥1,470.2 billion, a decrease of 4.03% from ¥1,532.1 billion in the fiscal year ended March 31, 2013.

Interest income was ¥1,827.6 billion, a decline of 2.58% from ¥1,876.1 billion in the fiscal year ended March 31, 2013. The decline was primarily attributable to a decline in interest and dividends on securities.

The average balance of interest-earning assets was ¥196,019.7 billion, an increase of ¥12,840.9 billion from ¥183,178.8 billion in the fiscal year ended March 31, 2013. The increase was principally due to an increase in the balance of due from banks. The earnings yield on interest-earning assets was 0.93%, a drop of nine basis points from the fiscal year ended March 31, 2013.

Interest expenses were ¥357.3 billion, up 3.88% from ¥343.9 billion in the fiscal year ended March 31, 2013.

The average balance of interest-bearing liabilities was ¥185,529.5 billion, an increase of ¥11,577.5 billion from ¥173,952.0 billion in the fiscal year ended March 31, 2013. The interest rate on interest-bearing liabilities was 0.19%. The interest rate on deposits was 0.14%, a drop of one basis point from the fiscal year ended March 31, 2013.

Net Interest Income

	Millions of yen		
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013	Difference
Net interest income:	**¥1,470,268**	¥1,532,152	¥(61,884)
Interest income	**1,827,610**	1,876,142	(48,532)
Interest expenses	**357,341**	343,990	13,351

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

	Millions of yen					
	Fiscal year ended March 31, 2014			Fiscal year ended March 31, 2013		
	Average balance	Interest	Earnings yield (%)	Average balance	Interest	Earnings yield (%)
Interest-earning assets:	**¥196,019,736**	**¥1,827,610**	**0.93**	¥183,178,803	¥1,876,142	1.02
Loans	**3,431,450**	**37,954**	**1.10**	3,996,399	43,712	1.09
Securities	**172,384,603**	**1,768,384**	**1.02**	169,604,359	1,816,271	1.07
Due from banks, etc.	**12,674,832**	**13,116**	**0.10**	9,040,423	9,735	0.10
Interest-bearing liabilities:	**185,529,566**	**357,341**	**0.19**	173,952,044	343,990	0.19
Deposits	**176,963,992**	**255,035**	**0.14**	176,328,187	271,837	0.15

Net Fees and Commissions

Net fees and commissions were ¥92.6 billion, an increase of 5.17% from ¥88.1 billion in the fiscal year ended March 31, 2013.

Fees and commissions received were ¥121.1 billion, a 5.50% rise from ¥114.8 billion in the fiscal year ended March 31, 2013. This increase was mainly attributable to an increase in fees and commissions related to investment trusts operations.

Fees and commissions received included ¥64.1 billion of fees and commissions on domestic and foreign exchange, a rise of 0.71% from ¥63.7 billion in the fiscal year ended March 31, 2013.

Fees and commissions paid were ¥28.4 billion, an increase of 6.56% from ¥26.6 billion in the fiscal year ended March 31, 2013.

Net Fees and Commissions

	Millions of yen		
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013	Difference
Net fees and commissions:	**¥ 92,690**	¥ 88,126	¥4,563
Fees and commissions received	**121,116**	114,801	6,314
Fees and commissions paid	**28,426**	26,675	1,750

Net Other Operating Income (Loss)

Net other operating income was ¥5.7 billion , an increase of 42.1% from ¥4.0 billion in the fiscal year ended March 31, 2013.

Net Other Operating Income (Loss)

	Millions of yen		
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013	Difference
Net other operating income (loss):	**¥ 5,756**	¥ 4,050	¥ 1,705
Other operating income	**20,487**	47,524	(27,036)
Other operating expenses	**14,731**	43,473	(28,742)

General and Administrative Expenses

General and administrative expenses (including non-recurring losses) were ¥1,095.0 billion, a decrease of 1.41% from ¥1,110.7 billion in the fiscal year ended March 31, 2013. The decrease was mainly due to a decline in non-personnel expenses.

Personnel expenses were ¥122.3 billion, an increase of 2.82% from ¥118.9 billion in the fiscal year ended March 31, 2013.

Non-personnel expenses were ¥913.6 billion, a decrease of 1.40% from ¥926.6 billion in the fiscal year ended March 31, 2013.

Non-personnel expenses included ¥607.2 billion of commissions on bank agency services paid to JAPAN POST Co., Ltd., a decrease of 0.37% from ¥609.5 billion in the fiscal year ended March 31, 2013.

Taxes and dues were ¥59.0 billion, a decrease of 9.36% from ¥65.2 billion in the fiscal year ended March 31, 2013.

General and Administrative Expenses

	Millions of yen		
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013	Difference
Personnel expenses:	**¥ 122,306**	¥ 118,949	¥ 3,357
Salaries and allowances	**100,257**	97,933	2,324
Others	**22,048**	21,016	1,032
Non-personnel expenses:	**913,615**	926,615	(13,000)
Commissions on bank agency services paid to JAPAN POST Co., Ltd.	**607,266**	609,578	(2,312)
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd.*	**22,069**	27,009	(4,940)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	**99,898**	94,311	5,587
Rent for land, buildings and others	**11,169**	11,689	(519)
Expenses on consigned businesses	**57,686**	62,746	(5,059)
Depreciation and amortization	**33,480**	25,812	7,668
Communication and transportation expenses	**20,487**	20,840	(352)
Maintenance expenses	**13,224**	14,023	(799)
IT expenses	**28,212**	36,789	(8,577)
Others	**20,118**	23,814	(3,695)
Taxes and dues	**59,094**	65,202	(6,108)
Total	**¥1,095,016**	¥1,110,767	¥(15,751)

* 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)

Non-recurring gains were ¥92.4 billion, an increase of 14.46% from ¥80.7 billion in the fiscal year ended March 31, 2013. We make investments in equities through money held in trust. Gains on money held in trust were ¥103.8 billion, up ¥19.4 billion year on year.

Non-recurring Gains (Losses)

	Millions of yen		
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013	Difference
Non-recurring gains (losses):	**¥ 92,407**	¥80,727	¥11,680
Gains (losses) on money held in trust	**103,856**	84,389	19,466
Other non-recurring gains (losses)	**(11,448)**	(3,662)	(7,785)

Financial Condition

ASSETS

	Millions of yen		
	As of March 31, 2014	As of March 31, 2013	Y-o-Y change
Cash and due from banks	**¥ 19,463,622**	¥ 9,195,940	¥10,267,682
Call loans	**1,843,569**	1,837,733	5,836
Receivables under securities borrowing transactions	**7,212,769**	8,141,533	(928,763)
Monetary claims bought	**62,272**	58,835	3,436
Trading account securities	**278**	247	30
Money held in trust	**2,919,003**	3,038,863	(119,860)
Securities	**166,057,886**	171,596,578	(5,538,692)
Loans	**3,076,325**	3,967,999	(891,673)
Foreign exchanges	**30,659**	3,051	27,608
Other assets	**1,529,309**	1,636,605	(107,296)
Tangible fixed assets	**144,588**	154,882	(10,294)
Intangible fixed assets	**58,725**	64,592	(5,867)
Customers' liabilities for acceptances and guarantees	**115,000**	145,000	(30,000)
Reserve for possible loan losses	**(1,127)**	(1,182)	54
Total assets	**¥202,512,882**	¥199,840,681	¥ 2,672,200

Total Assets

As of March 31, 2014, total assets were ¥202,512.8 billion, an increase of ¥2,672.2 billion, or 1.33%, from ¥199,840.6 billion as of March 31, 2013. The increase was mainly attributable to an increase in cash and due from banks.

Money Held in Trust

Money held in trust amounted to ¥2,919.0 billion, a decrease of ¥119.8 billion, or 3.94%, from ¥3,038.8 billion as of March 31, 2013. 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 ¥655.6 billion, an increase of ¥158.0 billion from ¥497.6 billion as of March 31, 2013, reflecting a recovery in stock market prices.

The Valuation Difference on Money Held in Trust

Money held in trust classified as available for sale as of March 31, 2014 and 2013 consisted of the following:

Millions of yen

As of March 31, 2014			As of March 31, 2013		
Amount on the balance sheet (A)	Acquisition cost (B)	Difference (A)–(B)	Amount on the balance sheet (A)	Acquisition cost (B)	Difference (A)–(B)
¥2,919,003	**¥2,263,320**	**¥655,682**	¥3,038,863	¥2,541,188	¥497,674

Securities

The balance of securities as of March 31, 2014 was ¥166,057.8 billion, a decrease of ¥5,538.6 billion, or 3.22%, from ¥171,596.5 billion as of March 31, 2013.

The balance of Japanese Government Bonds was ¥126,391.0 billion, a decrease of ¥11,807.6 billion, or 8.54%, from ¥138,198.7 billion as of March 31, 2013.

As of March 31, 2014, Japanese local government bonds amounted to ¥5,550.3 billion, a decrease of ¥255.7 billion, or 4.40%, from March 31, 2013.

As of March 31, 2014, Japanese corporate bonds (including commercial paper) amounted to ¥11,384.1 billion, a decrease of ¥468.8 billion, or 3.95%, from March 31, 2013.

To diversify our revenue source, we increased the amount invested in foreign securities. Other securities, which mainly consisted of foreign securities, amounted to ¥22,732.2 billion, increasing ¥6,993.5 billion, or 44.43%, from March 31, 2013.

Securities

	Millions of yen		
	As of March 31, 2014	As of March 31, 2013	Y-o-Y change
Securities:	**¥166,057,886**	¥171,596,578	¥ (5,538,692)
Japanese Government Bonds	**126,391,090**	138,198,732	(11,807,642)
Japanese local government bonds	**5,550,379**	5,806,099	(255,719)
Japanese corporate bonds	**11,384,142**	11,852,985	(468,842)
Other securities	**22,732,273**	15,738,761	6,993,512

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

The valuation difference on held-to-maturity securities decreased ¥769.3 billion year on year to ¥2,535.6 billion. The valuation difference on available-for-sale securities whose fair value is available increased ¥693.2 billion year on year to ¥3,657.2 billion.

Unrealized Gains (Losses) on Securities

Held-to-maturity securities whose fair value is available as of March 31, 2014 and 2013 consisted of the following:

		Millions of yen		
		As of March 31, 2014		
	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	**¥80,965,607**	**¥83,250,657**	**¥2,285,049**
	Japanese local government bonds	**1,185,705**	**1,213,665**	**27,960**
	Japanese corporate bonds	**5,092,189**	**5,252,371**	**160,181**
	Others	**165,235**	**227,832**	**62,597**
	Total	**87,408,737**	**89,944,525**	**2,535,788**
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	**1,993,687**	**1,993,605**	**(81)**
	Japanese local government bonds	**—**	**—**	**—**
	Japanese corporate bonds	**200,532**	**200,495**	**(37)**
	Others	**—**	**—**	**—**
	Total	**2,194,220**	**2,194,100**	**(119)**
Total		**¥89,602,957**	**¥92,138,626**	**¥2,535,669**

Type		Amount on the balance sheet	Fair value	Difference
		Millions of yen		
		As of March 31, 2013		
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

Available-for-sale securities whose fair value is available as of March 31, 2014 and 2013 consisted of the following:

Type		Amount on the balance sheet	Acquisition cost	Difference
		Millions of yen		
		As of March 31, 2014		
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds	**¥51,313,916**	**¥49,877,182**	**¥1,436,733**
	Japanese Government Bonds	**41,792,292**	**40,617,193**	**1,175,098**
	Japanese local government bonds	**4,154,660**	**4,034,384**	**120,275**
	Japanese corporate bonds	**5,366,963**	**5,225,604**	**141,358**
	Others	**21,399,537**	**19,163,334**	**2,236,203**
	Total	**72,713,454**	**69,040,517**	**3,672,937**
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds	**2,573,973**	**2,584,114**	**(10,140)**
	Japanese Government Bonds	**1,639,501**	**1,639,635**	**(133)**
	Japanese local government bonds	**210,014**	**210,378**	**(364)**
	Japanese corporate bonds	**724,457**	**734,100**	**(9,642)**
	Others	**1,843,837**	**1,849,339**	**(5,501)**
	Total	**4,417,811**	**4,433,453**	**(15,641)**
Total		**¥77,131,266**	**¥73,473,970**	**¥3,657,295**

Type		Amount on the balance sheet	Acquisition cost	Difference
		Millions of yen		
		As of March 31, 2013		
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

Loans

The balance of outstanding loans was ¥3,076.3 billion, a decrease of ¥891.6 billion, or 22.47%, from ¥3,967.9 billion as of March 31, 2013.

All of our loans are classified as normal loans.

Loans by Industry

Millions of yen

	As of March 31, 2014		As of March 31, 2013		Y-o-Y change
	Amount	(%)	Amount	(%)	Amount
Agriculture, forestry, fisheries, and mining	—	—	—	—	—
Manufacturing	¥ 83,879	2.72	¥ 132,491	3.33	¥ (48,612)
Utilities, information/communications, and transportation	94,044	3.05	184,034	4.63	(89,990)
Wholesale and retail	23,890	0.77	21,563	0.54	2,327
Finance and insurance	2,026,918	65.88	2,739,270	69.03	(712,351)
Construction and real estate	11,500	0.37	22,251	0.56	(10,750)
Services and goods rental/leasing	15,805	0.51	27,256	0.68	(11,451)
Central and local governments	610,566	19.84	613,793	15.46	(3,226)
Others	209,720	6.81	227,337	5.72	(17,617)
Total	¥3,076,325	100.00	¥3,967,999	100.00	¥(891,673)

Note: Loans to the Management Organization for Postal Savings and Postal Life Insurance, which are included in loans to "Finance and Insurance," were ¥1,766,185 million and ¥2,199,304 million as of March 31, 2014, and March 31, 2013, respectively.

Problem Assets Disclosed under the Financial Reconstruction Act

Millions of yen

	As of March 31, 2014	As of March 31, 2013	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	¥3,225,673	¥4,134,159	¥(908,485)
Total (B)	3,225,673	4,134,159	(908,485)
Non-performing loan ratio (A) / (B) (%)	—	—	—

Deferred Tax Assets/Liabilities

Net deferred tax liabilities as of March 31, 2014 were ¥999.2 billion, an increase of ¥128.7 billion from net deferred tax liabilities of ¥870.5 billion as of March 31, 2013. 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, 2014	As of March 31, 2013	Y-o-Y change
Deferred tax assets:	**¥ 432,542**	¥ 330,059	¥ 102,483
Reserve for possible loan losses	**179**	171	7
Reserve for employees' retirement benefits	**48,771**	48,806	(35)
Depreciation	**13,813**	17,326	(3,513)
Accrued interest on deposits	**12,411**	24,217	(11,805)
Impairment losses of money held in trust	**2,103**	3,076	(973)
Deferred losses on hedges	**330,528**	208,661	121,867
Accrued enterprise taxes	**5,488**	9,111	(3,622)
Others	**19,246**	18,686	560
Deferred tax liabilities:	**(1,431,754)**	(1,200,568)	(231,186)
Net unrealized gains on available-for-sale securities	**(1,419,306)**	(1,190,683)	(228,622)
Others	**(12,448)**	(9,885)	(2,563)
Net deferred tax assets (liabilities)	**¥ (999,212)**	¥ (870,509)	¥(128,702)

LIABILITIES

	Millions of yen		
	As of March 31, 2014	As of March 31, 2013	Y-o-Y change
Deposits	**¥176,612,780**	¥176,096,136	¥ 516,644
Payables under securities lending transactions	**10,667,591**	9,443,239	1,224,351
Foreign exchanges	**249**	272	(23)
Other liabilities	**2,511,110**	2,145,910	365,200
Reserve for employees' bonuses	**5,566**	5,609	(43)
Reserve for employees' retirement benefits	**136,848**	136,247	600
Reserve for directors' retirement benefits	**—**	198	(198)
Deferred tax liabilities	**999,212**	870,509	128,702
Acceptances and guarantees	**115,000**	145,000	(30,000)
Total liabilities	**¥191,048,358**	¥188,843,123	¥2,205,234

Total Liabilities

Total liabilities were ¥191,048.3 billion, an increase of ¥2,205.2 billion, or 1.16% from ¥188,843.1 billion as of March 31, 2013. The main reason for this increase was a rise of ¥516.6 billion in deposits, and a rise of ¥1,224.3 billion in payables under securities lending transactions.

Deposits

The balance of deposits was ¥176,612.7 billion, an increase of ¥516.6 billion, or 0.29%, from ¥176,096.1 billion as of March 31, 2013.

Changes in Liquid Deposits and Fixed-Term Deposits

Liquid deposits were ¥60,200.5 billion as of March 31, 2014, an increase of ¥229.0 billion, or 0.38%, from ¥59,971.4 billion as of March 31, 2013. Fixed-term deposits were ¥116,157.6 billion, an increase of ¥279.0 billion, or 0.24%, from ¥115,878.6 billion.

Balances by Type of Deposit

Millions of yen

	As of March 31, 2014		As of March 31, 2013		Y-o-Y change
	Amount	(%)	Amount	(%)	Amount
Liquid deposits:	**¥ 60,200,571**	**34.08**	¥ 59,971,472	34.05	¥ 229,098
Transfer deposits	**10,925,669**	**6.18**	10,209,954	5.79	715,715
Ordinary deposits, etc.	**48,878,529**	**27.67**	49,358,959	28.02	(480,430)
Savings deposits	**396,371**	**0.22**	402,558	0.22	(6,186)
Fixed-term deposits:	**116,157,689**	**65.76**	115,878,602	65.80	279,087
Time deposits	**14,781,463**	**8.36**	18,817,949	10.68	(4,036,486)
TEIGAKU deposits, etc.	**101,374,092**	**57.39**	97,057,788	55.11	4,316,303
Other deposits	**254,519**	**0.14**	246,060	0.13	8,458
Subtotal	**176,612,780**	**100.00**	176,096,136	100.00	516,644
Negotiable certificates of deposit	**—**	**—**	—	—	—
Total	**¥176,612,780**	**100.00**	¥176,096,136	100.00	¥ 516,644

Reserve for Employees' Retirement Benefits

The reserve for employees' retirement benefits was ¥136.8 billion, an increase of ¥0.6 billion from ¥136.2 billion as of March 31, 2013. We have adopted an internally funded lump-sum retirement benefit plan based on the internal retirement benefit rule.

Defined-benefit Plan

Reconciliation of the projected benefit obligation at the beginning and the end of the fiscal year

Millions of yen

	As of March 31, 2014
Projected benefit obligation at the beginning of the fiscal year	**¥128,120**
Service cost	**6,349**
Interest cost on projected benefit obligation	**2,185**
Unrecognized net actuarial losses in the fiscal year	**(49)**
Retirement benefits paid	**(7,230)**
Others	**323**
Projected benefit obligation at the end of the fiscal year	**¥129,697**

Reconciliation of the projected benefit obligation at the end of the fiscal year and the reserve for employees' retirement benefits recorded on balance sheet

Millions of yen

	As of March 31, 2014
Unfunded projected benefit obligation	**¥129,697**
Unrecognized net actuarial losses	**7,150**
Net amount recorded on the balance sheet	**¥136,848**
Reserve for employees' retirement benefits	**¥136,848**
Net amount recorded on the balance sheet	**136,848**

Total retirement benefit costs and components

	Millions of yen
	As of March 31, 2014
Service cost	**¥ 6,349**
Interest cost on projected benefit obligation	**2,185**
Amortization of unrecognized net actuarial losses	**(1,027)**
Others	**152**
Total retirement benefit costs related to the defined-benefit plan	**¥ 7,660**

Employees' Retirement Benefit Obligation

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

Breakdown of Total Retirement Benefit Costs

	Millions of yen
	As of March 31, 2013
Service cost	¥6,499
Interest cost on projected benefit obligation	2,195
Amortization of unrecognized net actuarial losses	(812)
Others	0
Total retirement benefit costs	¥7,882

NET ASSETS

	Millions of yen		
	As of March 31, 2014	As of March 31, 2013	Y-o-Y change
Common stock	**¥ 3,500,000**	¥ 3,500,000	—
Capital surplus	**4,296,285**	4,296,285	—
Retained earnings	**1,702,007**	1,440,830	¥ 261,177
Total shareholders' equity	**9,498,293**	9,237,115	261,177
Net unrealized gains (losses) on available-for-sale securities	**2,563,134**	2,137,265	425,869
Deferred gains (losses) on hedges	**(596,903)**	(376,823)	(220,080)
Total valuation and translation adjustments	**1,966,231**	1,760,442	205,788
Total net assets	**¥11,464,524**	¥10,997,558	¥ 466,966

Net assets as of March 31, 2014 were ¥11,464.5 billion, an increase of ¥466.9 billion, or 4.24%, from ¥10,997.5 billion as of March 31, 2013.

Shareholders' equity was ¥9,498.2 billion, an increase of ¥261.1 billion, or 2.82%, from March 31, 2013, due to an increase in retained earnings. We posted ¥2,563.1 billion of net unrealized gains on available-for-sale securities in the fiscal year ended March 31, 2014, an increase of ¥425.8 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, 2014 we booked ¥596.9 billion of deferred losses on hedges.

Capital Resource Management

Capital Adequacy Ratio

From the year ended March 31, 2014, the Basel III Japanese domestic standard was applied in the calculation of the capital adequacy ratio.

As determined under the Banking Act of Japan, our capital adequacy ratio (non-consolidated, new domestic standard (Basel III)) as of March 31, 2014 was 56.81%.

Total risk-based capital, the numerator of the ratio, was ¥9,404.6 billion.

Risk-weighted assets, which correspond to the denominator of the ratio, amounted to ¥16,553.3 billion.

As determined under the Banking Act of Japan, our capital adequacy ratio (non-consolidated, domestic standard (Basel 2.5)) as of March 31, 2013 was 66.04%. 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.

Risk-weighted assets, which correspond to the denominator of the ratio, amounted to ¥13,846.0 billion.

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

	Millions of yen As of March 31, 2014
Core Capital: instruments and reserves (A)	¥ 9,404,643
Core Capital: regulatory adjustments (B)	—
Total risk-based capital (A)–(B)=(C)	9,404,643
Total amount of risk-weighted assets (D)	16,553,324
Total credit risk-weighted assets	13,482,628
Total market risk equivalent / 8%	—
Total operational risk equivalent / 8%	3,070,695
Capital adequacy ratio (C)/(D) (%)	56.81

Note: As of March 31, 2014, numbers are calculated under new Japanese domestic standard based on Basel III.

	Millions of yen As of March 31, 2013
Tier I capital (A)	¥ 9,143,628
Tier II capital (B)	454
Deductions (C)	—
Total risk-based capital (A)+(B)–(C)=(D)	9,144,082
Risk-weighted assets (E)	13,846,024
On-balance-sheet items	10,212,098
Off-balance-sheet items	436,338
Operational risk equivalent / 8%	3,197,587
Capital adequacy ratio (D)/(E) (%)	66.04
Tier I capital ratio (A)/(E) (%)	66.03

Note: As of March 31, 2013, numbers are calculated under Japanese domestic standard based on Basel 2.5.

Dividends

We increased the total cash dividend paid for the fiscal year ended March 31, 2014 to ¥93.9 billion. The per-share cash dividend was ¥626.58 and the dividend payout ratio was 26.50%.

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 has been applied since March 31, 2007 and is based on three pillars. Pillar 1 is the minimum regulatory capital ratio. 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 are required to comply with all provisions of Basel II.

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, while Basel III, which has been applied since March 31, 2014 as the domestic standard, requires further bolstering of capital in terms of both quality and quantity. We comply with all provisions of Basel 2.5 and Basel III.

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

Integrated Risk Management

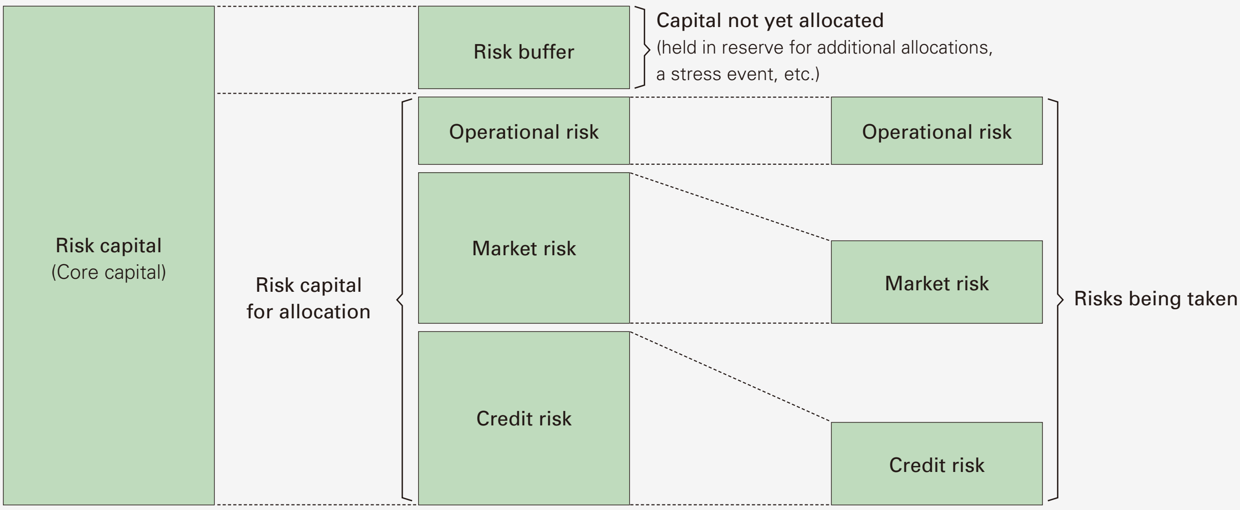
We broadly classify and define risks into five categories: market, market liquidity, funding liquidity, credit, and operational risks. We manage these risks using both quantitative and qualitative approaches.

In our quantitative approach, we have introduced integrated risk management that quantifies and controls risk. Specifically, we establish in advance a total amount of equity capital that is available to take on risk, or risk capital. Risk capital is then allocated to each business in accordance with the type of expected risk and nature of the business activities. To quantify market risk and credit risk and control risk exposure, we use value at risk ("VaR") techniques. VaR is a statistical method used to compute the maximum expected loss based on assets and liabilities held at given probabilities and for given periods of time. In 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.

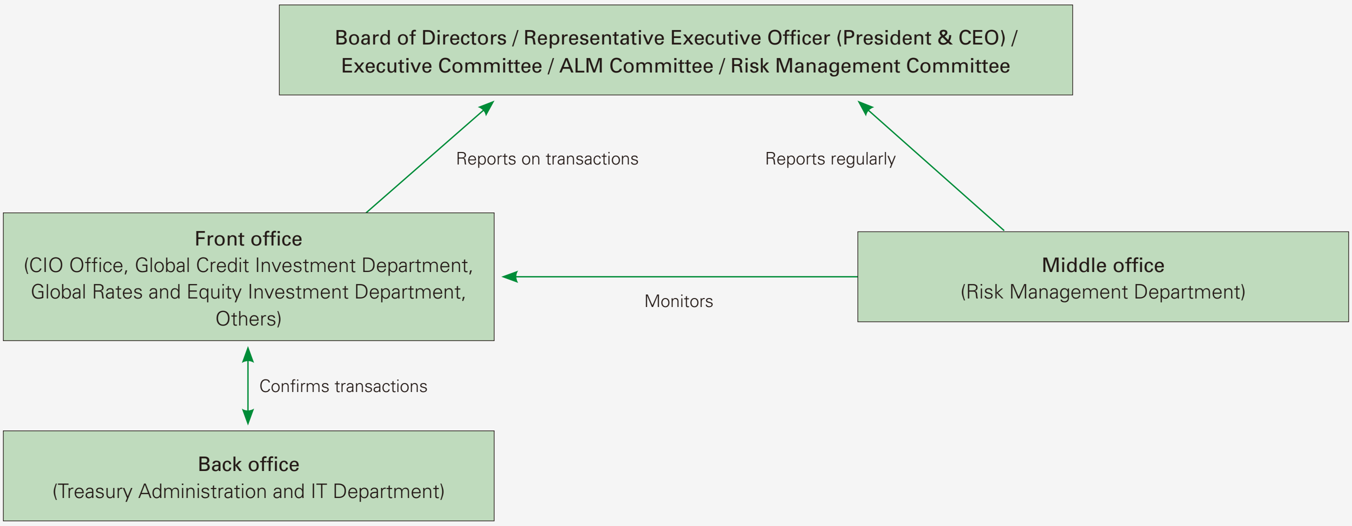
We have established a system for closely monitoring interest rate risk, in recognition of the importance of interest rates on our business. As part of this system, we perform simulations to gauge the effect of interest changes on our earnings.

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

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

3. Market Risk Exposure

In the fiscal year ended March 31, 2014, our VaR was as follows:

VaR (From April 1, 2013 to March 31, 2014)

	Billions of yen			
	Year-end	Maximum	Minimum	Average
Fiscal year ended March 31, 2014	**¥2,692.5**	**¥3,246.6**	**¥1,720.4**	**¥2,386.1**

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.

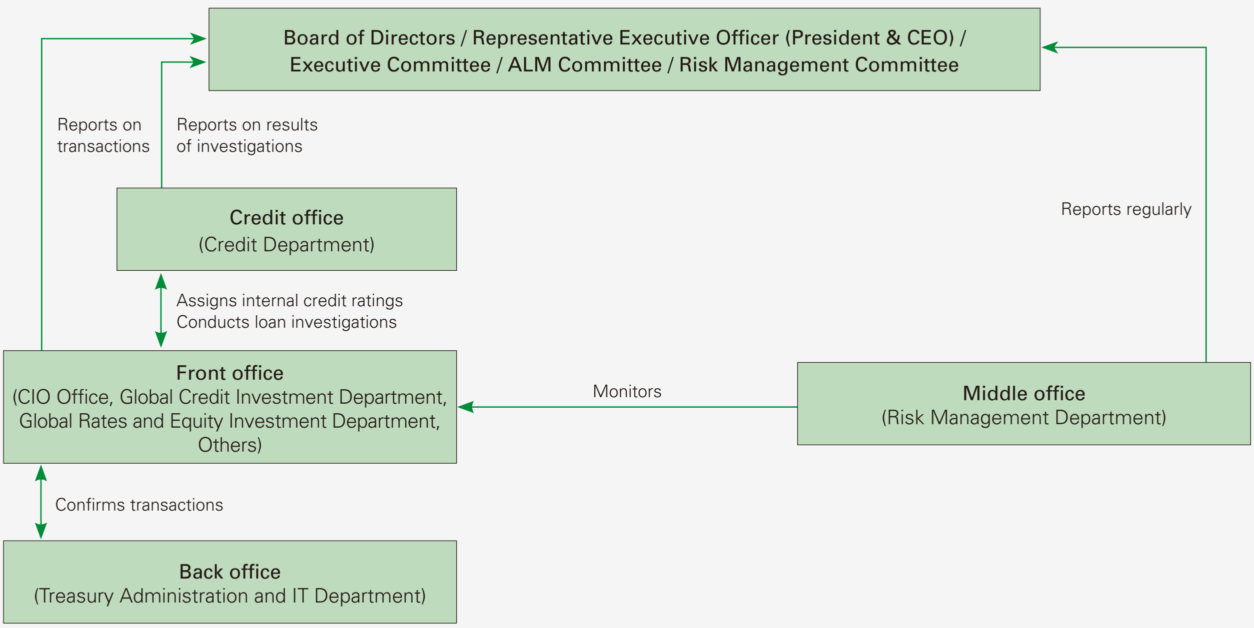
In order to control credit concentration risk, we have set credit limits for individual companies and corporate groups.

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

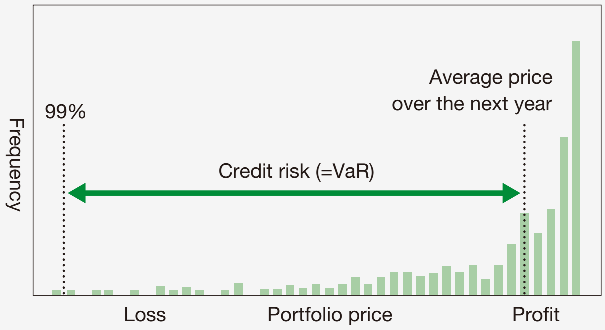


2. Measuring Credit Risk

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

<table>
<tr><th colspan="2">Grades</th><th>Concept</th><th colspan="2">Category</th></tr>
<tr><td colspan="2">1</td><td>Has highest credit standing and many superior attributes.</td><td colspan="2" rowspan="9">Normal</td></tr>
<tr><td colspan="2">2</td><td>Has exceedingly high credit standing and superior attributes.</td></tr>
<tr><td colspan="2">3</td><td>Has high credit standing and certain superior attributes.</td></tr>
<tr><td rowspan="2">4</td><td>a</td><td rowspan="2">Has sufficient credit standing but requires attention in case of significant changes in the environment.</td></tr>
<tr><td>b</td></tr>
<tr><td rowspan="2">5</td><td>a</td><td rowspan="2">Has no problems with credit standing at this point but has attributes requiring attention in case of changes in the environment.</td></tr>
<tr><td>b</td></tr>
<tr><td rowspan="2">6</td><td>a</td><td rowspan="2">Has no current problems with credit standing but has attributes requiring constant attention.</td></tr>
<tr><td>b</td></tr>
<tr><td colspan="2">7</td><td>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.</td><td colspan="2">Borrowers requiring caution</td></tr>
<tr><td colspan="2">8</td><td>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.</td><td>(Borrowers requiring monitoring)</td><td></td></tr>
<tr><td colspan="2">9</td><td>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.</td><td colspan="2">Doubtful borrowers</td></tr>
<tr><td colspan="2">10</td><td>Is not yet legally bankrupt but is in serious financial difficulty. Deemed to have no prospects for restructuring. Effectively bankrupt.</td><td colspan="2">Substantially bankrupt borrowers</td></tr>
<tr><td colspan="2">11</td><td>Legally bankrupt.</td><td colspan="2">Bankrupt borrowers</td></tr>
</table>

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.

NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-Consolidated Balance Sheets

As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Assets:			
Cash and due from banks (Notes 17 and 20):	**¥ 19,463,622**	¥ 9,195,940	**$ 189,114,093**
Cash	**119,698**	123,843	**1,163,026**
Due from banks	**19,343,923**	9,072,096	**187,951,067**
Call loans (Note 20)	**1,843,569**	1,837,733	**17,912,643**
Receivables under securities borrowing transactions (Note 20)	**7,212,769**	8,141,533	**70,081,323**
Monetary claims bought (Note 20)	**62,272**	58,835	**605,056**
Trading account securities (Notes 20 and 21):	**278**	247	**2,707**
Trading Japanese government bonds	**278**	247	**2,707**
Money held in trust (Notes 20 and 21)	**2,919,003**	3,038,863	**28,361,868**
Securities (Notes 8, 19, 20, 21 and 22):	**166,057,886**	171,596,578	**1,613,465,665**
Japanese Government Bonds	**126,391,090**	138,198,732	**1,228,051,788**
Japanese local government bonds	**5,550,379**	5,806,099	**53,929,069**
Japanese corporate bonds	**11,384,142**	11,852,985	**110,611,571**
Other securities	**22,732,273**	15,738,761	**220,873,236**
Loans (Notes 20 and 23):	**3,076,325**	3,967,999	**29,890,457**
Loans on deeds	**2,830,118**	3,732,809	**27,498,240**
Overdrafts	**246,206**	235,189	**2,392,217**
Foreign exchanges (Note 3)	**30,659**	3,051	**297,900**
Other assets (Notes 4, 8 and 20)	**1,529,309**	1,636,605	**14,859,202**
Tangible fixed assets (Note 5)	**144,588**	154,882	**1,404,860**
Intangible fixed assets (Note 6)	**58,725**	64,592	**570,589**
Customers' liabilities for acceptances and guarantees (Note 7)	**115,000**	145,000	**1,117,372**
Reserve for possible loan losses (Note 20)	**(1,127)**	(1,182)	**(10,959)**
Total assets	**¥202,512,882**	¥199,840,681	**$1,967,672,783**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Liabilities:			
Deposits (Notes 8, 9 and 20)	**¥176,612,780**	¥176,096,136	**$1,716,020,020**
Payables under securities lending transactions (Notes 8 and 20)	**10,667,591**	9,443,239	**103,649,352**
Foreign exchanges (Note 3)	**249**	272	**2,423**
Other liabilities (Note 10)	**2,511,110**	2,145,910	**24,398,664**
Reserve for employees' bonuses	**5,566**	5,609	**54,083**
Reserve for employees' retirement benefits (Note 24)	**136,848**	136,247	**1,329,655**
Reserve for directors' retirement benefits	**—**	198	**—**
Deferred tax liabilities (Note 25)	**999,212**	870,509	**9,708,630**
Acceptances and guarantees (Notes 7 and 8)	**115,000**	145,000	**1,117,372**
Total liabilities	**191,048,358**	188,843,123	**1,856,280,202**
Contingent liabilities (Note 11)			
Net assets (Note 16)**:**			
Common stock	**3,500,000**	3,500,000	**34,006,995**
Capital surplus	**4,296,285**	4,296,285	**41,743,936**
Retained earnings	**1,702,007**	1,440,830	**16,537,189**
Total shareholders' equity	**9,498,293**	9,237,115	**92,288,121**
Net unrealized gains (losses) on available-for-sale securities (Note 21)	**2,563,134**	2,137,265	**24,904,145**
Deferred gains (losses) on hedges	**(596,903)**	(376,823)	**(5,799,686)**
Total valuation and translation adjustments	**1,966,231**	1,760,442	**19,104,459**
Total net assets	**11,464,524**	10,997,558	**111,392,581**
Total liabilities and net assets	**¥202,512,882**	¥199,840,681	**$1,967,672,783**

See notes to financial statements.

Non-Consolidated Statements of Income

For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Revenues:			
Interest income:	**¥1,827,610**	¥1,876,142	**$17,757,580**
Interest on loans	**37,954**	43,712	**368,780**
Interest and dividends on securities	**1,768,384**	1,816,271	**17,182,129**
Interest on call loans	**3,473**	3,049	**33,750**
Interest on receivables under securities borrowing transactions	**8,076**	6,409	**78,475**
Interest on deposits with banks	**9,031**	5,976	**87,755**
Other interest income	**688**	724	**6,689**
Fees and commissions:	**121,116**	114,801	**1,176,802**
Fees and commissions on domestic and foreign exchanges	**64,156**	63,701	**623,358**
Other fees and commissions	**56,960**	51,100	**553,443**
Other operating income (Note 12)	**20,487**	47,524	**199,065**
Other income (Note 13)	**107,183**	87,419	**1,041,424**
Total revenues	**2,076,397**	2,125,888	**20,174,872**
Expenses:			
Interest expenses:	**361,747**	349,831	**3,514,837**
Interest on deposits	**255,035**	271,837	**2,477,997**
Interest on payables under securities lending transactions	**13,053**	11,623	**126,830**
Interest on borrowings	**0**	0	**0**
Interest on interest rate swaps	**92,906**	65,793	**902,704**
Other interest expenses	**751**	577	**7,304**
Fees and commissions:	**28,426**	26,675	**276,196**
Fees and commissions on domestic and foreign exchanges	**2,963**	2,645	**28,790**
Other fees and commissions	**25,462**	24,029	**247,405**
Other operating expenses (Note 14)	**14,731**	43,473	**143,133**
General and administrative expenses	**1,095,016**	1,110,767	**10,639,487**
Other expenses (Note 15)	**12,010**	3,588	**116,695**
Total expenses	**1,511,930**	1,534,335	**14,690,350**
Income before income taxes	**564,467**	591,552	**5,484,522**
Income taxes (Note 25):			
Current	**187,855**	227,940	**1,825,257**
Deferred	**21,946**	(10,335)	**213,238**
Total income taxes	**209,802**	217,604	**2,038,496**
Net income	**¥ 354,664**	¥ 373,948	**$ 3,446,025**

	Yen		U.S. dollars (Note 1)
	2014	2013	**2014**
Net income per share (Note 29)	**¥2,364.43**	¥2,492.98	**$22.97**

See notes to financial statements.

Non-Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2014 and 2013

2014

Millions of yen

	Shareholders' Equity				Valuation and translation adjustments			
	Common stock	Capital surplus: Legal capital surplus	Retained earnings: Other retained earnings: Retained earnings brought forward	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the fiscal year	**¥3,500,000**	**¥4,296,285**	**¥1,440,830**	**¥9,237,115**	**¥2,137,265**	**¥(376,823)**	**¥1,760,442**	**¥10,997,558**
Changes during the fiscal year								
Cash dividends			**(93,487)**	**(93,487)**				**(93,487)**
Net income			**354,664**	**354,664**				**354,664**
Net changes in items other than shareholders' equity					**425,869**	**(220,080)**	**205,788**	**205,788**
Total changes during the fiscal year	**—**	**—**	**261,177**	**261,177**	**425,869**	**(220,080)**	**205,788**	**466,966**
Balance at the end of the fiscal year	**¥3,500,000**	**¥4,296,285**	**¥1,702,007**	**¥9,498,293**	**¥2,563,134**	**¥(596,903)**	**¥1,966,231**	**¥11,464,524**

Thousands of U.S. dollars (Note 1)

	Shareholders' Equity				Valuation and translation adjustments			
	Common stock	Capital surplus: Legal capital surplus	Retained earnings: Other retained earnings: Retained earnings brought forward	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the fiscal year	**$34,006,995**	**$41,743,936**	**$13,999,514**	**$89,750,446**	**$20,766,280**	**$(3,661,321)**	**$17,104,959**	**$106,855,406**
Changes during the fiscal year								
Cash dividends			**(908,351)**	**(908,351)**				**(908,351)**
Net income			**3,446,025**	**3,446,025**				**3,446,025**
Net changes in items other than shareholders' equity					**4,137,865**	**(2,138,364)**	**1,999,500**	**1,999,500**
Total changes during the fiscal year	**—**	**—**	**2,537,674**	**2,537,674**	**4,137,865**	**(2,138,364)**	**1,999,500**	**4,537,175**
Balance at the end of the fiscal year	**$34,006,995**	**$41,743,936**	**$16,537,189**	**$92,288,121**	**$24,904,145**	**$(5,799,686)**	**$19,104,459**	**$111,392,581**

2013

Millions of yen

	Shareholders' Equity				Valuation and translation adjustments			
	Common stock	Capital surplus: Legal capital surplus	Retained earnings: Other retained earnings: Retained earnings brought forward	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the fiscal year	¥3,500,000	¥4,296,285	¥1,150,595	¥8,946,881	¥ 941,871	¥ (70,589)	¥ 871,281	¥ 9,818,162
Changes during the fiscal year								
Cash dividends			(83,713)	(83,713)				(83,713)
Net income			373,948	373,948				373,948
Net changes in items other than shareholders' equity					1,195,394	(306,233)	889,161	889,161
Total changes during the fiscal year	—	—	290,234	290,234	1,195,394	(306,233)	889,161	1,179,395
Balance at the end of the fiscal year	¥3,500,000	¥4,296,285	¥1,440,830	¥9,237,115	¥2,137,265	¥(376,823)	¥1,760,442	¥10,997,558

See notes to financial statements.

Non-Consolidated Statements of Cash Flows

For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Cash flows from operating activities:			
Income before income taxes	**¥ 564,467**	¥ 591,552	**$ 5,484,522**
Adjustments for:			
Depreciation and amortization	**33,480**	25,812	**325,309**
Losses on impairment of fixed assets	**65**	606	**632**
Net change in reserve for possible loan losses	**(54)**	(27)	**(532)**
Net change in reserve for employees' bonuses	**(43)**	424	**(421)**
Net change in reserve for employees' retirement benefits	**600**	265	**5,836**
Net change in reserve for directors' retirement benefits	**(198)**	27	**(1,927)**
Interest income	**(1,827,610)**	(1,876,142)	**(17,757,580)**
Interest expenses	**361,747**	349,831	**3,514,837**
Losses (gains) related to securities—net	**(4,275)**	(44,166)	**(41,543)**
Losses (gains) on money held in trust—net	**(103,856)**	(84,389)	**(1,009,096)**
Foreign exchange losses (gains)—net	**(279,812)**	(97,934)	**(2,718,735)**
Losses on sales and disposals of fixed assets—net	**562**	874	**5,470**
Net change in loans	**890,310**	165,141	**8,650,510**
Net change in deposits	**516,644**	460,766	**5,019,864**
Net change in negotiable certificates of deposit	**20,000**	(50,000)	**194,325**
Net change in call loans, etc.	**(9,577)**	(595,419)	**(93,055)**
Net change in receivables under securities borrowing transactions	**928,763**	(2,362,705)	**9,024,134**
Net change in payables under securities lending transactions	**1,224,351**	1,141,147	**11,896,152**
Net change in foreign exchange assets	**(27,608)**	(421)	**(268,248)**
Net change in foreign exchange liabilities	**(23)**	119	**(223)**
Interest received	**2,012,796**	2,064,065	**19,556,900**
Interest paid	**(206,278)**	(172,694)	**(2,004,259)**
Other—net	**85,524**	196,648	**830,984**
Subtotal	**4,179,978**	(286,616)	**40,613,858**
Income taxes paid	**(205,923)**	(242,592)	**(2,000,815)**
Net cash provided by (used in) operating activities	**3,974,054**	(529,209)	**38,613,042**
Cash flows from investing activities:			
Purchases of securities	**(35,006,121)**	(79,956,927)	**(340,129,437)**
Proceeds from sales of securities	**1,851,186**	3,117,463	**17,986,654**
Proceeds from maturity of securities	**39,196,659**	83,767,734	**380,845,890**
Investment in money held in trust	**(169,900)**	(741,790)	**(1,650,796)**
Proceeds from disposition of money held in trust	**551,125**	860,899	**5,354,891**
Purchases of tangible fixed assets	**(7,773)**	(10,446)	**(75,531)**
Purchases of intangible fixed assets	**(8,640)**	(22,988)	**(83,953)**
Other—net	**(77)**	(400)	**(756)**
Net cash provided by (used in) investing activities	**6,406,457**	7,013,544	**62,246,961**
Cash flows from financing activities:			
Cash dividends paid	**(93,487)**	(83,713)	**(908,351)**
Net cash used in financing activities	**(93,487)**	(83,713)	**(908,351)**
Effect of exchange rate changes on cash and cash equivalents	**658**	687	**6,397**
Net change in cash and cash equivalents	**10,287,682**	6,401,309	**99,958,049**
Cash and cash equivalents at the beginning of the fiscal year	**8,560,940**	2,159,630	**83,180,528**
Cash and cash equivalents at the end of the fiscal year (Note 17)	**¥ 18,848,622**	¥ 8,560,940	**$ 183,138,578**

See notes to financial statements.

Notes to Non-Consolidated Financial Statements

Years ended March 31, 2014 and 2013

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 ¥102.92 to US$1.00, the approximate rate of exchange as of March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. All U.S. dollar figures in the financial statements have been rounded down to the nearest thousand dollar amount, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

2. Summary of Accounting Policies

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

(1) Trading account securities are reported at fair value;

(2) Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are 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 the 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 fair value. The balance sheet amounts as of March 31, 2014 and 2013 are stated respectively at the average market price of the final month (March) of the fiscal years ended March 31, 2014 and 2013 for equity securities and at the market price on 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**—Depreciation of tangible fixed assets is computed by the straight-line method. The range of useful lives is principally from 3 to 50 years for buildings and from 2 to 75 years for others.

(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 over the estimated useful life (mainly 5 years).

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

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

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

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

e. **Reserve for Employees' Bonuses**—The reserve for employees' bonuses is provided for the estimated amount of employees' bonuses attributable to the fiscal year.

f. **Reserve for Employees' Retirement Benefits**—The reserve for employees' retirement benefits, which is provided for future payments to employees, is recorded in the amount deemed accrued based on the projected benefit obligation at the end of the fiscal year ended March 31, 2014. The method of attributing projected benefit obligation to periods ending on or before March 31, 2014 is the straight-line attribution method.

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.

g. **Foreign Currency Transactions**—Foreign currency denominated assets and liabilities on the balance sheet date are translated into Japanese yen principally at the exchange rates in effect on the balance sheet date.

h. **Derivatives and Hedging Activities**—Derivatives are stated at fair value.

Hedging against interest rate risks:

The Bank uses interest rate swaps to reduce its exposure to interest rate risk on its monetary assets 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 how the hedging instruments offset changes in the fair value of hedged items by grouping them into their maturities.

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

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.

The Bank considers the individual 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.

i. 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.

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

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

l. Accounting Pronouncements Issued But Not Yet Adopted—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:

• Overview

From the viewpoint of financial reporting improvement and international convergence, the aforementioned accounting standard and guidance has been revised mainly focusing on the enhancement of disclosure and how retirement benefit obligations and current service costs should be determined.

• Planned Effective Dates

The Bank will adopt the revised determination of retirement benefit obligations and current service costs at the beginning of the fiscal year starting on April 1, 2014.

• Effect of Adopting this Accounting Standard and Guidance

Upon adoption of this accounting standard and guidance, reserve for employees' retirement benefits at the beginning of the fiscal year starting on April 1, 2014 is expected to increase by ¥13,730 million ($133,411 thousand) while deferred tax liabilities and retained earnings at the beginning of the fiscal year starting on April 1, 2014 are expected to decrease by ¥4,893 million ($47,546 thousand) and ¥8,837 million ($85,864 thousand), respectively.

m. Changes in Presentation—The presentation of footnote information relating to the reserve for employees' retirement benefits has changed following the application of the "Accounting Standard for Retirement Benefits" and "Guidance on Retirement Benefits" from the fiscal year ended March 31, 2014 (with the exemption of the revised determination of retirement benefit obligations and current service costs effective from the start of the fiscal year which began on April 1, 2014).

The footnote information related to Reserve for Employees' Retirement Benefits has not been restated because the Bank has followed the transitional treatment in Article 37 of the ASBJ "Retirement Benefits Accounting Standard."

3. Foreign Exchanges

Foreign exchanges as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets:			
Due from foreign banks	¥30,630	¥3,018	$297,615
Foreign bills bought and foreign exchanges purchased	29	32	285
Total	¥30,659	¥3,051	$297,900
Liabilities:			
Foreign bills sold	¥ 43	¥ 32	$ 419
Foreign bills payable	206	239	2,004
Total	¥ 249	¥ 272	$ 2,423

4. Other Assets

Other assets as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Domestic exchange settlement accounts—debit	¥ 18,431	¥ 3,470	$ 179,084
Prepaid expenses	7,751	10,898	75,311
Accrued income	345,089	362,754	3,352,990
Derivatives other than trading	5,172	7,671	50,259
Other	1,152,864	1,251,810	11,201,557
Total	¥1,529,309	¥1,636,605	$14,859,202

5. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Buildings	¥107,165	¥105,336	$1,041,250
Land	26,953	26,991	261,883
Construction in progress	363	19	3,533
Other	173,234	170,753	1,683,192
Subtotal	307,716	303,101	2,989,859
Accumulated depreciation	163,128	148,218	1,584,999
Total	¥144,588	¥154,882	$1,404,860

6. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Software	¥100,473	¥141,374	$ 976,231
Other	6,465	9,252	62,824
Subtotal	106,939	150,626	1,039,056
Accumulated depreciation	48,214	86,033	468,467
Total	¥ 58,725	¥ 64,592	$ 570,589

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, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets pledged as collateral:			
Securities	¥34,935,490	¥37,240,751	$339,443,169
Liabilities corresponding to assets pledged as collateral:			
Deposits	26,038,039	29,974,390	252,992,996
Payables under securities lending transactions	10,667,591	9,443,239	103,649,352
Acceptances and guarantees	115,000	145,000	1,117,372

In addition, the settlement accounts of Bank of Japan overdrafts, exchange settlement transactions, or derivative transactions were collateralized, and margins for future transactions were substituted by securities of ¥5,960,122 million ($57,910,250 thousand) and ¥4,900,344 million as of March 31, 2014 and 2013, respectively.

"Other assets" included guarantee deposits of ¥2,180 million ($21,189 thousand) and ¥1,697 million, as of March 31, 2014 and 2013, respectively.

9. Deposits

Deposits as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Transfer deposits	¥ 10,925,669	¥ 10,209,954	$ 106,156,916
Ordinary deposits	45,238,071	44,900,184	439,545,970
Savings deposits	396,371	402,558	3,851,262
Time deposits	14,781,463	18,817,949	143,620,905
Special deposits*	26,021,946	29,958,707	252,836,636
TEIGAKU deposits**	78,994,737	71,560,721	767,535,347
Other deposits	254,519	246,060	2,472,982
Total	¥176,612,780	¥176,096,136	$1,716,020,020

* "Special deposits" represent deposits received from the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative agency.
** "TEIGAKU deposits" are a kind of 10-year-maturity time deposits unique to the Bank. The key feature is that depositors have the option to withdraw money anytime 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, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Domestic exchange settlement accounts—credit	¥ 25,576	¥ 7,817	$ 248,512
Income taxes payable	25,749	37,541	250,186
Accrued expenses	1,242,505	1,091,251	12,072,537
Unearned income	110	122	1,071
Derivatives other than trading	990,873	683,309	9,627,605
Asset retirement obligations	614	301	5,971
Other	225,680	325,566	2,192,778
Total	¥2,511,110	¥2,145,910	$24,398,664

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, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
One year or less	¥ 4,332	¥ 5,625	$ 42,100
Over one year	6,742	6,822	65,515
Total	¥11,075	¥12,448	$107,615

12. Other Operating Income

Other operating income for the fiscal years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gains on foreign exchanges	¥ 1,480	¥ —	$ 14,389
Gains on sales of bonds	9,207	47,403	89,464
Gains on redemption of bonds	9,799	—	95,212
Income from derivatives other than for trading or hedging	—	120	—
Total	¥20,487	¥47,524	$199,065

13. Other Income

Other income for the fiscal years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gains on money held in trusts	¥103,858	¥84,391	$1,009,122
Reversal of reserve for possible loan losses	37	17	360
Recoveries of written-off claims	22	17	215
Other	3,265	2,993	31,725
Total	¥107,183	¥87,419	$1,041,424

14. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Losses on foreign exchanges	**¥ —**	¥40,236	**$ —**
Losses on sales of bonds	**14,731**	3,236	**143,133**
Total	**¥14,731**	¥43,473	**$143,133**

15. Other Expenses

Other expenses for the fiscal years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Losses on money held in trust	**¥ 2**	¥ 1	**$ 26**
Losses on sales and disposals of fixed assets	**562**	874	**5,470**
Losses on impairment of fixed assets	**65**	606	**632**
Group restructuring expenses	**—**	501	**—**
Other	**11,379**	1,603	**110,566**
Total	**¥12,010**	¥3,588	**$116,695**

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

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

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

Type and number of outstanding shares issued for the fiscal years ended March 31, 2014 and 2013 were as follows:

	Thousand shares				
	Authorized	Number of shares outstanding at the beginning of the fiscal year	Increase	Decrease	Number of shares outstanding at the end of the fiscal year
March 31, 2014					
Common stock	**600,000**	**150,000**	**—**	**—**	**150,000**
March 31, 2013					
Common stock	600,000	150,000	—	—	150,000

Dividends distributed during the fiscal year ended March 31, 2014:

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**	**$908,351**	**¥623.25**	**$6.05**	**March 31, 2013**	**May 10, 2013**

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

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

Of dividends whose record date was included in the fiscal years ended March 31, 2014 and 2013, those whose effective date occurs after the fiscal year's closing

		2014					
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, 2014	Common stock	**¥93,987**	**$913,204**	**¥626.58**	**$6.08**	**March 31, 2014**	**May 12, 2014**

		2013			
Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 9, 2013	Common stock	¥93,487	¥623.25	March 31, 2013	May 10, 2013

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, 2014 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Cash and due from banks	**¥19,463,622**	¥9,195,940	**$189,114,093**
Due from banks, –negotiable certificates of deposit in other banks	**(615,000)**	(635,000)	**(5,975,514)**
Cash and cash equivalents	**¥18,848,622**	¥8,560,940	**$183,138,578**

18. Leases

Operating lease transactions:

Future lease payments on noncancelable operating leases as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Due within one year	**¥ 759**	¥1,157	**$ 7,381**
Due over one year	**1,949**	2,685	**18,943**
Total	**¥2,709**	¥3,843	**$26,324**

19. Securities

As of the end of the fiscal year ended March 31, 2014, Japanese Government Bonds include ¥100,660 million ($978,044 thousand) of secured loaned securities for which borrowers have the right to sell or pledge (securities collateralized bond lending/borrowing transactions). There were no secured loaned Japanese Government Bonds as of the end of the fiscal year ended March 31, 2013.

As of the end of the fiscal years ended March 31, 2014 and 2013, the Bank had the right to sell or pledge without restriction for securities held amounting to ¥7,214,612 million ($70,099,226 thousand) and ¥8,150,664 million among securities borrowed under 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, 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, and foreign bonds, etc., as well as by making loans. Most of these financial assets and liabilities are subject to price fluctuations associated with interest rate movements and other risks, making it necessary to manage them so that future interest rate and foreign exchange rate movements do not have a negative impact on the Bank including affecting the stability of its earnings. The Bank therefore strives to appropriately manage its earnings and risks using integrated asset-liability management (ALM), and as part of this, engages in derivative transactions including interest rate swaps, currency swaps and others.

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

(2) Details of financial instruments and associated risks

The financial assets held by the Bank are securities including Japanese bonds, which 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 viewpoint 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 h. 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 Department assigns internal credit ratings, monitors borrower status, watches large borrowers, and judges individual loans.

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

c) Market risk

As per the Bank's ALM policy, the Bank makes investments in instruments including Japanese and foreign bonds and equities as part of its banking operations, and these investments may therefore be affected by interest rate, exchange rate, share price and other fluctuations. However, based on internal guidelines regarding market risk management, the Bank measures the amount of market risk using the VaR statistical method. The Bank sets appropriate risk limits to reflect risk capital allocations and then ensures the amounts of market risk do not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

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

The Bank measures and manages market risk using the VaR method. For its market risk measurement model, the Bank uses a historical simulation method (holding period of 240 operating days (one year); confidence interval of 99%; and observation period of 1,200 days (five years)). From the fiscal year ended March 31, 2014, the Bank has improved its internal model for liabilities to better reflect its actual status and increase its accuracy. In addition, it has revised its method and recognizes the risk posed by credit spread fluctuations of corporate bonds and other instruments as a market risk, rather than as a credit risk. As of March 31, 2014 and 2013, the Bank calculates the amounts of its market risk (estimated potential losses from such risk) as ¥2,692,520 million ($26,161,299 thousand) and ¥1,502,106 million, respectively. VaR provides the major market risk exposure which is statistically calculated under certain probability based on historical market fluctuations. Thus, it may not capture fully the risk stemming from extraordinary changes in the market environment that are normally considered improbable. To complement such risks, the Bank conducts stress testing using a variety of scenarios.

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

In addition, the Bank has a distinctive asset and liability structure, with Japanese Government Bonds 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, 2014 and 2013 were as follows. Insignificant balance sheet accounts are not disclosed.

	Millions of yen		
	2014		
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 19,463,622	¥ 19,463,622	¥ —
(2) Call loans	1,843,569	1,843,569	—
(3) Receivables under securities borrowing transactions	7,212,769	7,212,769	—
(4) Monetary claims bought	62,272	62,272	—
(5) Trading account securities:			
Securities classified as trading purposes	278	278	—
(6) Money held in trust	2,919,003	2,919,003	—
(7) Securities:			
Held-to-maturity securities	89,602,957	92,084,639	2,481,681
Available-for-sale securities	76,453,993	76,453,993	—
(8) Loans:	3,076,325		
Reserve for possible loan losses*	(117)		
	3,076,208	3,164,803	88,594
Total assets	¥200,634,676	¥203,204,952	¥2,570,276
(1) Deposits	¥176,612,780	¥177,267,508	¥ 654,728
(2) Payables under securities lending transactions	10,667,591	10,667,591	—
Total liabilities	¥187,280,371	¥187,935,100	¥ 654,728
Derivative transactions**:			
For which hedge accounting is not applied	¥ 141	¥ 141	¥ —
For which hedge accounting is applied	(985,842)	(985,842)	—
Total derivative transactions	¥ (985,700)	¥ (985,700)	¥ —

	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)	¥ —

	Thousands of U.S. dollars		
	2014		
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	**$ 189,114,093**	**$ 189,114,093**	**$ —**
(2) Call loans	**17,912,643**	**17,912,643**	**—**
(3) Receivables under securities borrowing transactions	**70,081,323**	**70,081,323**	**—**
(4) Monetary claims bought	**605,056**	**605,056**	**—**
(5) Trading account securities:			
Securities classified as trading purposes	**2,707**	**2,707**	**—**
(6) Money held in trust	**28,361,868**	**28,361,868**	**—**
(7) Securities:			
Held-to-maturity securities	**870,607,828**	**894,720,552**	**24,112,724**
Available-for-sale securities	**742,848,752**	**742,848,752**	**—**
(8) Loans:	**29,890,457**		
Reserve for possible loan losses*	**(1,139)**		
	29,889,318	**30,750,131**	**860,812**
Total assets	**$1,949,423,594**	**$1,974,397,131**	**$24,973,536**
(1) Deposits	**$1,716,020,020**	**$1,722,381,547**	**$ 6,361,526**
(2) Payables under securities lending transactions	**103,649,352**	**103,649,352**	**—**
Total liabilities	**$1,819,669,373**	**$1,826,030,899**	**$ 6,361,526**
Derivative transactions**:			
For which hedge accounting is not applied	**$ 1,378**	**$ 1,378**	**$ —**
For which hedge accounting is applied	**(9,578,724)**	**(9,578,724)**	**—**
Total derivative transactions	**$ (9,577,346)**	**$ (9,577,346)**	**$ —**

* 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)

Valuation methodology for financial instruments

Assets

(1) Cash and due from banks

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

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

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

(4) Monetary claims bought

The Bank uses the price provided by 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 "h. Money held in trust" of Note 21. Fair Value Information.

(7) Securities

For bonds, the Bank uses the price at the exchange market, the Reference Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, and the comparable price method, or the price provided by 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

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

Derivative transactions

Derivative transactions consist of interest rate-related instruments (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, 2014 and 2013 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
	2014	2013	2014
Type	Amount on the balance sheet	Amount on the balance sheet	Amount on the balance sheet
Securities of affiliates (unlisted)	¥935	¥935	$9,084

(Note 3)

Scheduled redemption amounts of monetary claims and securities with a maturity date subsequent to the fiscal years ended March 31, 2014 and 2013 were as follows:

	Millions of yen					
	2014					
	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	¥19,343,923	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	1,843,569	—	—	—	—	—
Receivables under securities borrowing transactions	7,212,769	—	—	—	—	—
Monetary claims bought	63	1,378	13,761	10,000	7,000	29,122
Securities:	34,050,652	42,827,443	25,328,349	19,740,209	30,978,206	2,887,917
Held-to-maturity securities:	23,724,520	27,521,919	13,315,184	7,475,531	17,502,070	—
Japanese Government Bonds	22,288,700	25,288,440	11,348,000	6,941,500	17,034,400	—
Japanese local government bonds	441,674	700,513	44,622	—	—	—
Japanese corporate bonds	965,509	1,461,279	1,890,084	501,598	467,670	—
Other securities	28,637	71,686	32,478	32,433	—	—
Available-for-sale securities (with maturity date):	10,326,131	15,305,523	12,013,164	12,264,678	13,476,136	2,887,917
Japanese Government Bonds	6,849,040	8,926,680	5,066,566	7,779,879	11,697,389	1,788,000
Japanese local government bonds	360,221	759,591	981,722	1,544,805	514,243	33,706
Japanese corporate bonds	1,283,545	1,116,848	1,368,621	849,277	259,300	1,066,211
Other securities	1,833,325	4,502,403	4,596,253	2,090,715	1,005,203	—
Loans	764,855	871,196	479,258	422,462	304,334	230,431
Total	¥63,215,833	¥43,700,018	¥25,821,369	¥20,172,672	¥31,289,540	¥3,147,471

	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

	Thousands of U.S. dollars					
	2014					
	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	**$187,951,067**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Call loans	**17,912,643**	**—**	**—**	**—**	**—**	**—**
Receivables under securities borrowing transactions	**70,081,323**	**—**	**—**	**—**	**—**	**—**
Monetary claims bought	**613**	**13,394**	**133,712**	**97,162**	**68,013**	**282,959**
Securities:	**330,845,823**	**416,123,621**	**246,097,451**	**191,801,488**	**300,993,063**	**28,059,830**
Held-to-maturity securities:	**230,514,191**	**267,410,799**	**129,374,123**	**72,634,385**	**170,055,091**	**—**
Japanese Government Bonds	**216,563,350**	**245,709,677**	**110,260,396**	**67,445,588**	**165,511,076**	**—**
Japanese local government bonds	**4,291,430**	**6,806,390**	**433,560**	**—**	**—**	**—**
Japanese corporate bonds	**9,381,160**	**14,198,205**	**18,364,601**	**4,873,668**	**4,544,014**	**—**
Other securities	**278,251**	**696,526**	**315,565**	**315,128**	**—**	**—**
Available-for-sale securities (with maturity date):	**100,331,631**	**148,712,821**	**116,723,328**	**119,167,102**	**130,937,971**	**28,059,830**
Japanese Government Bonds	**66,547,222**	**86,734,169**	**49,228,202**	**75,591,523**	**113,655,164**	**17,372,716**
Japanese local government bonds	**3,500,012**	**7,380,404**	**9,538,695**	**15,009,770**	**4,996,533**	**327,497**
Japanese corporate bonds	**12,471,288**	**10,851,612**	**13,297,919**	**8,251,819**	**2,519,432**	**10,359,616**
Other securities	**17,813,108**	**43,746,635**	**44,658,511**	**20,313,988**	**9,766,841**	**—**
Loans	**7,431,552**	**8,464,793**	**4,656,612**	**4,104,770**	**2,957,000**	**2,238,936**
Total	**$614,223,024**	**$424,601,808**	**$250,887,776**	**$196,003,421**	**$304,018,077**	**$30,581,726**

(Note 4)

Scheduled repayment amounts of interest-bearing liabilities subsequent to fiscal years ended March 31, 2014 and 2013 were as follows:

	Millions of yen					
	2014					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	**¥76,030,031**	**¥11,218,546**	**¥32,951,793**	**¥22,382,440**	**¥34,029,968**	**¥—**
Payables under securities lending transactions	**10,667,591**	**—**	**—**	**—**	**—**	**—**
Total	**¥86,697,623**	**¥11,218,546**	**¥32,951,793**	**¥22,382,440**	**¥34,029,968**	**¥—**

	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	¥—

	Thousands of U.S. dollars					
	2014					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	**$738,729,418**	**$109,002,592**	**$320,168,995**	**$217,474,158**	**$330,644,856**	**$—**
Payables under securities lending transactions	**103,649,352**	**—**	**—**	**—**	**—**	**—**
Total	**$842,378,771**	**$109,002,592**	**$320,168,995**	**$217,474,158**	**$330,644,856**	**$—**

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

21. Fair Value Information

The fair value information of securities was as follows.

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

a. Trading account securities

There were no unrealized gains or losses from trading account securities included in the profit and loss recorded in the statements of income for the fiscal years ended March 31, 2014 and 2013.

b. Held-to-maturity securities

	Type	Millions of yen 2014 Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	¥80,965,607	¥83,250,657	¥2,285,049
	Japanese local government bonds	1,185,705	1,213,665	27,960
	Japanese corporate bonds	5,092,189	5,252,371	160,181
	Others	165,235	227,832	62,597
	Total	87,408,737	89,944,525	2,535,788
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	1,993,687	1,993,605	(81)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	200,532	200,495	(37)
	Others	—	—	—
	Total	2,194,220	2,194,100	(119)
Total		¥89,602,957	¥92,138,626	¥2,535,669

	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	Thousands of U.S. dollars 2014 Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	$786,684,881	$808,887,067	$22,202,186
	Japanese local government bonds	11,520,651	11,792,320	271,668
	Japanese corporate bonds	49,477,159	51,033,532	1,556,372
	Others	1,605,471	2,213,682	608,211
	Total	849,288,163	873,926,602	24,638,439
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	19,371,233	19,370,438	(795)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	1,948,432	1,948,069	(362)
	Others	—	—	—
	Total	21,319,665	21,318,507	(1,158)
Total		$870,607,828	$895,245,110	$24,637,281

c. Investments in subsidiaries and affiliates

As of March 31, 2014 and 2013, there were no investments in subsidiaries.

The securities of affiliates (¥935 million ($9,084 thousand) as of March 31, 2014 and ¥935 million as of March 31, 2013) were all unlisted, and did not have a market price. Since it was extremely difficult to determine a fair value for the securities, the fair value and different amounts were not disclosed.

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

	Type	Millions of yen 2014 Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	¥51,313,916	¥49,877,182	¥1,436,733
	Japanese Government Bonds	41,792,292	40,617,193	1,175,098
	Japanese local government bonds	4,154,660	4,034,384	120,275
	Japanese corporate bonds	5,366,963	5,225,604	141,358
	Others	21,399,537	19,163,334	2,236,203
	Total	72,713,454	69,040,517	3,672,937
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	2,573,973	2,584,114	(10,140)
	Japanese Government Bonds	1,639,501	1,639,635	(133)
	Japanese local government bonds	210,014	210,378	(364)
	Japanese corporate bonds	724,457	734,100	(9,642)
	Others	1,843,837	1,849,339	(5,501)
	Total	4,417,811	4,433,453	(15,641)
Total		¥77,131,266	¥73,473,970	¥3,657,295

	Type	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	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	Thousands of U.S. dollars 2014 Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	$498,580,609	$484,620,896	$13,959,712
	Japanese Government Bonds	406,065,805	394,648,212	11,417,593
	Japanese local government bonds	40,367,861	39,199,226	1,168,635
	Japanese corporate bonds	52,146,941	50,773,457	1,373,483
	Others	207,923,999	186,196,409	21,727,590
	Total	706,504,608	670,817,305	35,687,302
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	25,009,462	25,107,990	(98,527)
	Japanese Government Bonds	15,929,867	15,931,164	(1,296)
	Japanese local government bonds	2,040,556	2,044,097	(3,540)
	Japanese corporate bonds	7,039,038	7,132,728	(93,689)
	Others	17,915,253	17,968,704	(53,450)
	Total	42,924,715	43,076,694	(151,978)
Total		$749,429,323	$713,893,999	$35,535,324

Note: Of the difference shown above, ¥330,537 million ($3,211,598 thousand) and ¥133,725 million are respectively included in the statements of income as profit for the fiscal year ended March 31, 2014 and 2013 because of the application of fair value hedge accounting.

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

Held-to-maturity securities sold during the fiscal years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		
	2014		
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	¥—	¥—	¥—
Total	¥—	¥—	¥—

	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

	Thousands of U.S. dollars		
	2014		
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	$—	$—	$—
Total	$—	$—	$—

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, 2014 and 2013 consisted of the following:

	Millions of yen		
	2014		
	Sales proceeds	Total realized gains	Total realized losses
Bonds:	¥1,572,513	¥8,973	¥ (8,395)
Japanese Government Bonds	1,560,117	8,484	(8,277)
Japanese corporate bonds	12,396	489	(117)
Others	278,672	233	(6,335)
Total	¥1,851,186	¥9,207	¥(14,731)

	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)

	Thousands of U.S. dollars		
	2014		
	Sales proceeds	Total realized gains	Total realized losses
Bonds:	$15,278,991	$87,191	$ (81,572)
Japanese Government Bonds	15,158,542	82,439	(80,426)
Japanese corporate bonds	120,449	4,751	(1,146)
Others	2,707,663	2,272	(61,560)
Total	$17,986,654	$89,464	$(143,133)

g. Securities for which accounting for impairment was applied

For the securities (excluding trading securities) with market quotations, whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Bank reduces its book value of securities to fair value on the balance sheet and charges valuation differences to income (hereafter "impairment losses") in the year in which they are recognized. No impairment losses were recognized for the fiscal years ended March 31, 2014 and 2013.

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. 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, 2014 and 2013.

Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2014 and 2013 were as follows:

	Millions of yen				
	2014				
	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	**¥2,919,003**	**¥2,263,320**	**¥655,682**	**¥661,280**	**¥(5,597)**

	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)

	Thousands of U.S. dollars				
	2014				
	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	**$28,361,868**	**$21,991,067**	**$6,370,801**	**$6,425,190**	**$(54,388)**

Notes: 1. The amount on the balance sheet is stated at the average market price of the final month for the fiscal year for equity securities and at the market price on the balance sheet date for other securities.
2. "Those for which the amount on the balance sheet exceeds the acquisition cost" and "Those for which the amount on the balance sheet does not exceed the acquisition cost" represent the breakdown of the "Difference" for the respective items.

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

For money held in trust (excluding money held in trust for the purpose of trading) that are under management as trust assets, whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Bank reduces its book value of securities to fair value on the balance sheet and charges valuation differences to income (hereafter "impairment losses") in the year in which they are recognized. The amount of impairment losses for the fiscal years ended March 31, 2014 and 2013 amounted to ¥840 million ($8,162 thousand) and ¥10,601 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

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

Unrealized gains (losses) on available-for-sale securities as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Valuation differences:	**¥ 3,982,440**	¥ 3,327,948	**$ 38,694,526**
Available-for-sale securities	**3,326,757**	2,830,273	**32,323,725**
Available-for-sale money held in trust	**655,682**	497,674	**6,370,801**
Deferred tax assets (liabilities)	**(1,419,306)**	(1,190,683)	**(13,790,381)**
Unrealized gains (losses) on available-for-sale securities	**¥ 2,563,134**	¥ 2,137,265	**$ 24,904,145**

Note: Of the difference shown above, ¥330,537 million ($3,211,598 thousand) and ¥133,725 million are respectively included in the statements of income as profit for the fiscal year ended March 31, 2014 and 2013 because of the application of fair value hedge accounting.

22. Derivatives

a. **Derivatives for which hedge accounting is not applied as of March 31, 2014 and 2013**

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

(1) Interest rate-related derivatives: None as of March 31, 2014 and 2013

(2) Currency-related derivatives

		Millions of yen			
		2014			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—bought	**¥10,150**	**¥—**	**¥141**	**¥141**
Total		**——**	**——**	**¥141**	**¥141**

		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)

Category	Type	Thousands of U.S. dollars 2014 Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—bought	**$98,620**	**$—**	**$1,378**	**$1,378**
Total		**——**	**——**	**$1,378**	**$1,378**

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

(3) Equity-related derivatives: None as of March 31, 2014 and 2013

(4) Bond-related derivatives: None as of March 31, 2014 and 2013

(5) Commodity-related derivatives: None as of March 31, 2014 and 2013

(6) Credit derivatives: None as of March 31, 2014 and 2013

b. Derivatives for which hedge accounting is applied as of March 31, 2014 and 2013

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

(1) Interest rate-related derivatives

Hedge accounting method	Type	Primary hedged instrument	Millions of yen 2014 Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap instruments: Pay fixed swaps, receive floating swaps	Available-for-sale securities: (Japanese Government Bonds and foreign securities)	**¥2,913,747**	**¥2,913,747**	**¥(201,753)**
Total			**——**	**——**	**¥(201,753)**

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	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)

Hedge accounting method	Type	Primary hedged instrument	Thousands of U.S. dollars 2014 Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap instruments: Pay fixed swaps, receive floating swaps	Available-for-sale securities: (Japanese Government Bonds and foreign securities)	**$28,310,794**	**$28,310,794**	**$(1,960,298)**
Total			**——**	**——**	**$(1,960,298)**

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

(2) Currency-related derivatives

Hedge accounting method	Type	Primary hedged instrument	Millions of yen 2014 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)	¥ 244,301	¥ 153,648	¥ (62,151)
	Currency swap		2,721,308	2,175,135	(718,218)
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	1,114,137	—	(3,718)
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities: (Foreign securities)	115,726	82,388	
	Currency swap		59,220	59,220	(Note 3)
Total			——	——	¥(784,088)

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	Thousands of U.S. dollars 2014 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)	$ 2,373,700	$ 1,492,892	$ (603,884)
	Currency swap		26,441,008	21,134,232	(6,978,412)
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	10,825,273	—	(36,128)
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities: (Foreign securities)	1,124,435	800,509	
	Currency swap		575,403	575,403	(Note 3)
Total			——	——	$(7,618,426)

Notes: 1. The deferred hedge accounting method is primarily used to hedge the risk from market exchange rate fluctuations for foreign currency-denominated securities.
2. The fair value is determined using the discounted cash flows.
3. Derivatives under the accounting method translating foreign currency receivables at forward rates are treated as being an inseparable part of the securities being hedged, and their fair value is therefore included in that of the corresponding securities under Note 20. Financial Instruments.

(3) Equity-related derivatives: None as of March 31, 2014 and 2013

(4) Bond-related derivatives: None as of March 31, 2014 and 2013

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, 2014 and 2013.

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 ¥2,735 million ($26,574 thousand) and ¥7,735 million as of March 31, 2014 and 2013, respectively. Of this amount, there were no loans in which the term of the agreement was less than one year, or the unconditional cancellation of the agreement was allowed at any time as of March 31, 2014. As of March 31, 2013, these loans amounted to ¥5,000 million.

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, 2014 was as follows:

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

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

2. Defined-benefit plan

(1) Reconciliation of the projected benefit obligation at the beginning and the end of the fiscal year

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Projected benefit obligation at the beginning of the fiscal year	¥128,120	$1,244,851
Service cost	6,349	61,695
Interest cost on projected benefit obligation	2,185	21,233
Unrecognized net actuarial losses in the fiscal year	(49)	(485)
Retirement benefits paid	(7,230)	(70,256)
Others	323	3,142
Projected benefit obligation at the end of the fiscal year	¥129,697	$1,260,182

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

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unfunded projected benefit obligation	¥129,697	$1,260,182
Unrecognized net actuarial losses	7,150	69,473
Net amount recorded on the balance sheet	¥136,848	$1,329,655
Reserve for employees' retirement benefits	¥136,848	$1,329,655
Net amount recorded on the balance sheet	136,848	1,329,655

(3) Total retirement benefit costs and components

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Service cost	**¥ 6,349**	**$61,695**
Interest cost on projected benefit obligation	**2,185**	**21,233**
Amortization of unrecognized net actuarial losses	**(1,027)**	**(9,979)**
Others	**152**	**1,483**
Total retirement benefit costs related to the defined-benefit plan	**¥ 7,660**	**$74,432**

(4) The major assumptions used in the calculation of actuarial gains and losses

	2014
Discount rate	**1.7%**

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

1. Outline of employees' retirement benefit plans adopted by the Bank
   The Bank has an internally funded lump-sum retirement payment plan for employees based on the internal retirement benefit rule.

2. Projected retirement benefit obligation

	Millions of yen
	2013
Projected benefit obligation	¥(128,120)
Unfunded projected benefit obligation	(128,120)
Unrecognized net actuarial losses	(8,127)
Net amount recorded on the balance sheets	(136,247)
Reserve for employees' retirement benefits	¥(136,247)

3. Total retirement benefit costs

	Millions of yen
	2013
Service cost	¥6,499
Interest cost on projected benefit obligation	2,195
Amortization of unrecognized net actuarial losses	(812)
Others	0
Total retirement benefit costs	¥7,882

4. Assumptions used in the calculation of retirement benefit obligations

	2013
Discount rate	1.7%
Method of attributing the projected benefit obligation to period of service	Straight-line method
Amortization period of unrecognized actuarial losses	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, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred tax assets:			
Reserve for possible loan losses	**¥ 179**	¥ 171	**$ 1,741**
Reserve for employees' retirement benefits	**48,771**	48,806	**473,877**
Depreciation	**13,813**	17,326	**134,216**
Accrued interest on deposits	**12,411**	24,217	**120,598**
Impairment losses of money held in trust	**2,103**	3,076	**20,436**
Deferred losses on hedges	**330,528**	208,661	**3,211,508**
Accrued enterprise taxes	**5,488**	9,111	**53,326**
Other	**19,246**	18,686	**187,004**
Total deferred tax assets	**432,542**	330,059	**4,202,708**
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	**(1,419,306)**	(1,190,683)	**(13,790,381)**
Other	**(12,448)**	(9,885)	**(120,957)**
Total deferred tax liabilities	**(1,431,754)**	(1,200,568)	**(13,911,338)**
Net deferred tax assets (liabilities)	**¥ (999,212)**	¥ (870,509)	**$ (9,708,630)**

For the fiscal years ended March 31, 2014 and 2013, the difference between the effective income tax rate and effective tax payout ratio was less than 5%.

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

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014, and accordingly, the special corporation tax for reconstruction will no longer be levied from fiscal years beginning on or after April 1, 2014. As a result, the effective statutory tax rate used by the Bank to calculate deferred tax assets and deferred tax liabilities has been revised to 35.63%, from 38.01%. The lowered rate has been applied to the temporary differences that are expected to be deductible in the fiscal year beginning on April 1, 2014. In response to this change in the tax rate, deferred tax liabilities decreased by ¥2,920 million ($28,379 thousand), net unrealized gains on available-for-sale securities increased by ¥5,017 million ($48,750 thousand) and deferred income taxes increased by ¥2,096 million ($20,370 thousand).

26. Profit or Loss from Equity Method

The details for the fiscal years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Investments in affiliates	**¥935**	¥935	**$9,084**
Investments, if equity method accounting is adopted	**912**	923	**8,865**
Investment gains (losses), if equity method accounting is adopted	**(11)**	22	**(107)**

27. Segment Information

Segment Information

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

Related Information

a. Information about services

Information about services is omitted since 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, 2014 and 2013.

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, 2014 and 2013.

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, 2014 and 2013.

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, 2014 and 2013.

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, 2014 and 2013 were as follows:

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

For the fiscal year ended March 31, 2014

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

Ownership of voting rights held	100% of the Bank's shares		
Capital	¥3,500,000 million ($34,006,995 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	¥22,069 million ($214,429 thousand)	¥22,639 million ($219,974 thousand)	¥3,044 million ($29,581 thousand)
Account	Other assets	Other liabilities	Other liabilities
Outstanding balance at end of the fiscal year	¥4,543 million ($44,147 thousand)	¥1,889 million ($18,357 thousand)	¥266 million ($2,588 thousand)

Transaction conditions and policies on determining transaction conditions, etc.

* 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 arm's length principle.

*** 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 taxes. Year-end balance includes consumption taxes.

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		
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	¥28,270 million	¥2,914 million
Account	Other assets	Other liabilities	Other liabilities
Outstanding balance at end of the fiscal year	¥5,560 million	¥2,462 million	¥267 million

Transaction conditions and policies on determining transaction conditions, etc.

* 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 arm's length principle.

*** 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 taxes. Year-end balance includes consumption taxes.

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

None for the fiscal years ended March 31, 2014 and 2013

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

For the year ended March 31, 2014

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

Ownership of voting rights held	Nil			
Capital	¥100,000 million ($971,628 thousand)			
Nature of transactions	Commissions on bank agency services, Consignment contracts for logistics operations, and Concurrent holding of positions by executive management directors			
Details of transactions	Payment of commissions on bank agency services*	Receipt and payment of funds related to bank agency services		Payment of consignment fees for logistics operations ****
Transaction amount	¥607,266 million ($5,900,370 thousand)	¥1,112,876 million ($10,813,026 thousand)	—	¥2,749 million ($26,714 thousand)
Account	Other liabilities	Other assets **	Other liabilities ***	Other liabilities
Outstanding balance at end of the fiscal year	¥52,141 million ($506,620 thousand)	¥1,020,000 million ($9,910,610 thousand)	¥45,558 million ($442,658 thousand)	¥419 million ($4,073 thousand)

Transaction conditions and policies on determining transaction conditions, etc.

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

** 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, 2014.

*** 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.

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

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

For the fiscal year ended March 31, 2013

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

Ownership of voting rights held	Nil			
Capital	¥100,000 million			
Nature of transactions	Commissions on bank agency services, Consignment contracts for logistics operations, and Concurrent holding of positions by executive management directors			
Details of transactions	Payment of commissions on 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	¥1,162,630 million	—	¥2,274 million
Account	Other liabilities	Other assets**	Other liabilities***	Other liabilities
Outstanding balance at end of the fiscal year	¥54,171 million	¥1,120,000 million	¥32,468 million	¥323 million

Transaction conditions and policies on determining transaction conditions, etc.

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

** 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.

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

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

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

None for the fiscal years ended March 31, 2014 and 2013

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, 2014 and 2013 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2014	2013	**2014**
Net assets per share	**¥76,430.16**	¥73,317.05	**$742.61**
Net income per share	**2,364.43**	2,492.98	**22.97**

Net assets per share as of March 31, 2014 and 2013 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Net assets	**¥11,464,524**	¥10,997,558	**$111,392,581**
Net assets attributable to common stock at the end of the fiscal year	**11,464,524**	10,997,558	**111,392,581**
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, 2014 and 2013 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Net income	**¥354,664**	¥373,948	**$3,446,025**
Net income attributable to common stock	**354,664**	373,948	**3,446,025**
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, 2014 and 2013.

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 non-consolidated balance sheets as at March 31, 2014 and 2013, and the non-consolidated statements of income, non-consolidated statements of changes in net assets and non-consolidated 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, 2014 and 2013, 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, 2014 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 25, 2014
Tokyo, Japan

FINANCIAL DATA

Key Financial Indicators

Key Financial Indicators

Years ended March 31

	Millions of yen	
	2014	2013
Ordinary revenues	**¥ 2,076,397**	¥ 2,125,888
Operating profit (before provision for general reserve for possible loan losses)	**472,687**	512,808
Net operating profit	**472,687**	512,808
Net ordinary income	**565,095**	593,535
Net income	**354,664**	373,948
Common stock	**3,500,000**	3,500,000
Shares outstanding (thousand shares)	**150,000**	150,000
Net assets	**11,464,524**	10,997,558
Total assets	**202,512,882**	199,840,681
Deposits	**176,612,780**	176,096,136
Loans	**3,076,325**	3,967,999
Securities	**166,057,886**	171,596,578
Capital adequacy ratio (non-consolidated, domestic standard) (%)	**56.81**	66.04
Dividend payout ratio (%)	**26.50**	25.00
Employees	**12,963**	12,922

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 has applied Japanese domestic Basel III capital adequacy standards since the year ended March 2014.

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	
	2014	2013
Gross operating profit:	¥ 1,568,715	¥ 1,624,329
(Excluding gains (losses) on bonds)	1,564,439	1,580,163
Net interest income	1,470,268	1,532,152
Net fees and commissions	92,690	88,126
Net trading income	—	—
Net other operating income (loss)	5,756	4,050
(Gains (losses) on bonds)	4,275	44,166
General and administrative expenses:	(1,096,028)	(1,111,521)
Personnel expenses	(123,318)	(119,703)
Non-personnel expenses	(913,615)	(926,615)
Taxes and dues	(59,094)	(65,202)
Operating profit (before provision for general reserve for possible loan losses)	472,687	512,808
(Excluding gains (losses) on bonds)	468,411	468,642
Provision for general reserve for possible loan losses	—	—
Net operating profit:	472,687	512,808
Gains (losses) on bonds	4,275	44,166
Non-recurring gains (losses):	92,407	80,727
Gains (losses) on money held in trust	103,856	84,389
Other non-recurring gains (losses)	(11,448)	(3,662)
Net ordinary income	565,095	593,535
Extraordinary income (loss):	(628)	(1,983)
Gains (losses) on sales and disposal of fixed assets	(562)	(874)
Losses on impairment of fixed assets	(65)	(606)
Income before income taxes	564,467	591,552
Income taxes—current	(187,855)	(227,940)
Income taxes—deferred	(21,946)	10,335
Net income	354,664	373,948
Credit-related expenses:	66	6
Provision for general reserve for possible loan losses	66	6
Write-off of loans	—	—
Provision for specific reserve for possible loan losses	—	—
Recoveries of written-off loans	—	—

Notes: 1. General and administrative expenses exclude non-recurring losses.
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	
	2014	2013
Gross operating profit	**¥1,568,715**	¥1,624,329
Gross operating profit margin (%)	**0.80**	0.88

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	
	2014	2013
Net interest income:	**¥1,470,268**	¥1,532,152
Interest income	**1,827,610**	1,876,142
Interest expenses	**357,341**	343,990
Net fees and commissions:	**92,690**	88,126
Fees and commissions received	**121,116**	114,801
Fees and commissions paid	**28,426**	26,675
Net trading income:	**—**	—
Trading gains	**—**	—
Trading losses	**—**	—
Net other operating income (loss):	**5,756**	4,050
Other operating income	**20,487**	47,524
Other operating expenses	**14,731**	43,473

Note: Interest expenses exclude expenses corresponding to money held in trust (fiscal year ended March 31, 2014, ¥4,405 million; fiscal year ended March 31, 2013, ¥5,840 million).

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

Years ended March 31

	Millions of yen		
	2014		
	Average balance	Interest	Earnings yield (%)
Interest-earning assets:	**¥196,019,736**	**¥1,827,610**	**0.93**
Loans	**3,431,450**	**37,954**	**1.10**
Securities	**172,384,603**	**1,768,384**	**1.02**
Due from banks, etc.	**12,674,832**	**13,116**	**0.10**
Interest-bearing liabilities:	**185,529,566**	**357,341**	**0.19**
Deposits	**176,963,992**	**255,035**	**0.14**

	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
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

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, 2014, ¥2,287,246 million; fiscal year ended March 31, 2013, ¥2,953,720 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (fiscal year ended March 31, 2014, ¥2,287,246 million; fiscal year ended March 31, 2013, ¥2,953,720 million) and the corresponding interest (fiscal year ended March 31, 2014, ¥4,405 million; fiscal year ended March 31, 2013, ¥5,840 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, etc.

Changes in Interest Income and Expenses

Years ended March 31

	Millions of yen		
	2014		
	Volume-related change	Interest-related change	Net change
Interest income:	**¥173,743**	**¥(222,276)**	**¥(48,532)**
Loans	**(6,254)**	**497**	**(5,757)**
Securities	**30,572**	**(78,459)**	**(47,886)**
Due from banks, etc.	**3,744**	**(364)**	**3,380**
Interest expenses:	**21,916**	**(8,565)**	**13,351**
Deposits	**983**	**(17,786)**	**(16,802)**

	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)
Due from banks, etc.	4,307	(511)	3,795
Interest expenses:	1,217	13,181	14,399
Deposits	1,181	(3,082)	(1,900)

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

General and Administrative Expenses

Years ended March 31

	Millions of yen			
	2014		2013	
	Amount	%	Amount	%
Personnel expenses:	**¥ 122,306**	**11.16**	¥ 118,949	10.70
Salaries and allowances	**100,257**	**9.15**	97,933	8.81
Non-personnel expenses:	**913,615**	**83.43**	926,615	83.42
Commissions on bank agency services paid to JAPAN POST Co., Ltd.	**607,266**	**55.45**	609,578	54.87
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (Note)	**22,069**	**2.01**	27,009	2.43
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	**99,898**	**9.12**	94,311	8.49
Rent for land, buildings and others	**11,169**	**1.02**	11,689	1.05
Expenses on consigned businesses	**57,686**	**5.26**	62,746	5.64
Depreciation and amortization	**33,480**	**3.05**	25,812	2.32
Communication and transportation expenses	**20,487**	**1.87**	20,840	1.87
Maintenance expenses	**13,224**	**1.20**	14,023	1.26
IT expenses	**28,212**	**2.57**	36,789	3.31
Taxes and dues	**59,094**	**5.39**	65,202	5.87
Total	**¥1,095,016**	**100.00**	¥1,110,767	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

Ending Balances

	2014 Amount	2014 %	2013 Amount	2013 %
	Millions of yen			
Liquid deposits:	**¥ 60,200,571**	**34.08**	¥ 59,971,472	34.05
Transfer deposits	**10,925,669**	**6.18**	10,209,954	5.79
Ordinary deposits, etc.	**48,878,529**	**27.67**	49,358,959	28.02
Savings deposits	**396,371**	**0.22**	402,558	0.22
Fixed-term deposits:	**116,157,689**	**65.76**	115,878,602	65.80
Time deposits	**14,781,463**	**8.36**	18,817,949	10.68
TEIGAKU deposits, etc.	**101,374,092**	**57.39**	97,057,788	55.11
Other deposits	**254,519**	**0.14**	246,060	0.13
Subtotal	**176,612,780**	**100.00**	176,096,136	100.00
Negotiable certificates of deposit	**—**	**—**	—	—
Total	**¥176,612,780**	**100.00**	¥176,096,136	100.00

Years ended March 31

Average Balances

	2014 Amount	2014 %	2013 Amount	2013 %
	Millions of yen			
Liquid deposits:	**¥ 60,550,882**	**34.21**	¥ 60,631,246	34.38
Transfer deposits	**10,591,337**	**5.98**	9,825,702	5.57
Ordinary deposits, etc.	**49,559,468**	**28.00**	50,398,750	28.58
Savings deposits	**400,075**	**0.22**	406,793	0.23
Fixed-term deposits:	**116,144,774**	**65.63**	115,424,575	65.46
Time deposits	**16,818,118**	**9.50**	18,437,969	10.45
TEIGAKU deposits, etc.	**99,324,145**	**56.12**	96,983,112	55.00
Other deposits	**268,336**	**0.15**	272,366	0.15
Subtotal	**176,963,992**	**100.00**	176,328,187	100.00
Negotiable certificates of deposit	**—**	**—**	—	—
Total	**¥176,963,992**	**100.00**	¥176,328,187	100.00

Time Deposits by Time to Maturity

As of March 31

		Millions of yen	
		2014	2013
Less than three months	Time deposits:	**¥ 3,554,671**	¥ 4,366,874
	Fixed interest rates	**3,554,671**	4,366,874
	Floating interest rates	**—**	—
	Other time deposits	**—**	—
≥ Three and < six months	Time deposits:	**2,853,074**	3,905,227
	Fixed interest rates	**2,853,074**	3,905,227
	Floating interest rates	**—**	—
	Other time deposits	**—**	—
≥ Six months and < one year	Time deposits:	**6,938,944**	9,224,316
	Fixed interest rates	**6,938,944**	9,224,316
	Floating interest rates	**—**	—
	Other time deposits	**—**	—
≥ One and < two years	Time deposits:	**375,096**	738,020
	Fixed interest rates	**375,096**	738,020
	Floating interest rates	**—**	—
	Other time deposits	**—**	—
≥ Two and < three years	Time deposits:	**459,953**	308,776
	Fixed interest rates	**459,953**	308,776
	Floating interest rates	**—**	—
	Other time deposits	**—**	—
Three years or more	Time deposits:	**599,722**	274,733
	Fixed interest rates	**599,722**	274,733
	Floating interest rates	**—**	—
	Other time deposits	**—**	—
Total	Time deposits:	**¥14,781,463**	¥18,817,949
	Fixed interest rates	**14,781,463**	18,817,949
	Floating interest rates	**—**	—
	Other time deposits	**—**	—

TEIGAKU Deposits by Time to Maturity

As of March 31

	Millions of yen	
	2014	2013
Less than one year	**¥ 2,228,036**	¥ 2,052,122
≥ One and < three years	**10,381,575**	4,350,139
≥ Three and < five years	**32,352,070**	26,539,373
≥ Five and < seven years	**22,382,440**	22,363,442
Seven years or more	**34,029,968**	41,752,711
Total	**¥101,374,092**	¥97,057,788

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

Ending Balances

	Millions of yen	
	2014	2013
Loans on notes	**—**	—
Loans on deeds	**¥2,830,118**	¥3,732,809
Overdrafts	**246,206**	235,189
Notes discounted	**—**	—
Total	**¥3,076,325**	¥3,967,999

Years ended March 31

Average Balances

	Millions of yen	
	2014	2013
Loans on notes	**—**	—
Loans on deeds	**¥3,198,559**	¥3,771,762
Overdrafts	**232,891**	224,637
Notes discounted	**—**	—
Total	**¥3,431,450**	¥3,996,399

Loans by Time to Maturity

As of March 31

		Millions of yen	
		2014	2013
One year or less	Loans:	**¥ 473,928**	¥ 861,782
	Floating interest rates	**/**	/
	Fixed interest rates	**/**	/
> One and ≤ three years	Loans:	**365,716**	389,312
	Floating interest rates	**196,329**	253,421
	Fixed interest rates	**169,386**	135,891
> Three and ≤ five years	Loans:	**617,874**	636,936
	Floating interest rates	**—**	41,857
	Fixed interest rates	**617,874**	595,079
> Five and ≤ seven years	Loans:	**300,989**	542,415
	Floating interest rates	**—**	—
	Fixed interest rates	**300,989**	542,415
> Seven and ≤ ten years	Loans:	**472,317**	344,868
	Floating interest rates	**200**	100
	Fixed interest rates	**472,117**	344,768
Over ten years	Loans:	**845,499**	1,192,683
	Floating interest rates	**—**	—
	Fixed interest rates	**845,499**	1,192,683
No designated term	Loans:	**—**	—
	Floating interest rates	**—**	—
	Fixed interest rates	**—**	—
Total		**¥3,076,325**	¥3,967,999

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	
	2014	2013
Securities	**¥ 186**	¥ 331
Receivables	**206,335**	186,278
Merchandise	**—**	—
Real estate	**—**	—
Others	**—**	—
Subtotal	**206,521**	186,610
Guarantees	**51,498**	356,875
Credit	**2,818,305**	3,424,512
Total	**¥3,076,325**	¥3,967,999

Acceptances and Guarantees by Type of Collateral

	Millions of yen	
	2014	2013
Securities	**—**	—
Receivables	**—**	—
Merchandise	**—**	—
Real estate	**—**	—
Others	**—**	—
Subtotal	**—**	—
Guarantees	**—**	—
Credit	**¥115,000**	¥145,000
Total	**¥115,000**	¥145,000

Loans by Purpose

As of March 31

	Millions of yen			
	2014		2013	
	Amount	%	Amount	%
Funds for capital investment	**¥ 20,000**	**0.65**	¥ 109,844	2.76
Funds for working capital	**3,056,325**	**99.34**	3,858,154	97.23
Total	**¥3,076,325**	**100.00**	¥3,967,999	100.00

Loans by Industry

As of March 31

	Millions of yen			
	2014		2013	
	Amount	%	Amount	%
Agriculture, forestry, fisheries, and mining	**—**	**—**	—	—
Manufacturing	**¥ 83,879**	**2.72**	¥ 132,491	3.33
Utilities, information/communications, and transportation	**94,044**	**3.05**	184,034	4.63
Wholesale and retail	**23,890**	**0.77**	21,563	0.54
Finance and insurance	**2,026,918**	**65.88**	2,739,270	69.03
Construction and real estate	**11,500**	**0.37**	22,251	0.56
Services and goods rental/leasing	**15,805**	**0.51**	27,256	0.68
Central and local governments	**610,566**	**19.84**	613,793	15.46
Others	**209,720**	**6.81**	227,337	5.72
Total	**¥3,076,325**	**100.00**	¥3,967,999	100.00

Note: Loans to the Management Organization for Postal Savings and Postal Life Insurance, which are included in loans to "Finance and insurance," were ¥1,766,185 million and ¥2,199,304 million as of March 31, 2014 and March 31, 2013, respectively.

Loans to Individuals and Small and Midsize Enterprises

As of March 31

	Millions of yen	
	2014	2013
Total loans (A)	**¥3,076,325**	¥3,967,999
Loans to individuals and small and mid-size enterprises (B)	**¥ 209,720**	¥ 189,836
(B)/(A) (%)	**6.81**	4.78

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	
	2014	2013
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	
	2014	2013
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	**¥3,225,673**	¥4,134,159
Total (B)	**¥3,225,673**	¥4,134,159
Non-performing loan ratio (A)/(B) (%)	**—**	—

Reserve for Possible Loan Losses

Years ended March 31

	Millions of yen			
	2014			
	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	**¥ 454**	**¥ 336**	**¥ 454**	**¥ 336**
Specific reserve for possible loan losses	**728**	**791**	**728**	**791**
Total	**¥1,182**	**¥1,127**	**¥1,182**	**¥1,127**

	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

Securities

Average Balance by Type of Trading Book Securities

Years ended March 31

	Millions of yen	
	2014	2013
Trading book Japanese Government Bonds	**¥529**	¥371
Trading book Japanese local government bonds	**—**	—
Trading book government guaranteed bonds	**—**	—
Other trading book securities	**—**	—
Total	**¥529**	¥371

Securities by Time to Maturity

As of March 31

	Millions of yen							
	2014							
	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	**¥29,166,842**	**¥34,365,232**	**¥16,652,202**	**¥15,149,732**	**¥29,019,829**	**¥2,037,250**	**—**	**¥126,391,090**
Japanese local government bonds	**804,302**	**1,473,245**	**1,071,803**	**1,633,375**	**530,296**	**37,356**	**—**	**5,550,379**
Japanese corporate bonds	**2,254,100**	**2,591,089**	**3,302,194**	**1,385,209**	**731,694**	**1,119,855**	**—**	**11,384,142**
Other securities	**1,880,295**	**4,677,350**	**4,759,325**	**2,223,005**	**1,044,240**	**—**	**¥8,148,056**	**22,732,273**
Foreign bonds	**1,880,295**	**4,625,751**	**4,759,325**	**2,223,005**	**1,044,240**	**—**	**—**	**14,532,618**
Foreign stocks	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥34,105,540**	**¥43,106,917**	**¥25,785,526**	**¥20,391,322**	**¥31,326,060**	**¥3,194,462**	**¥8,148,056**	**¥166,057,886**

	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

Balance by Type of Securities

As of March 31

	Millions of yen	
	2014	2013
Japanese Government Bonds	**¥126,391,090**	¥138,198,732
Japanese local government bonds	**5,550,379**	5,806,099
Japanese corporate bonds	**11,384,142**	11,852,985
Other securities	**22,732,273**	15,738,761
Total	**¥166,057,886**	¥171,596,578

Years ended March 31

Average Balances

	Millions of yen	
	2014	2013
Japanese Government Bonds	**¥135,713,497**	¥138,803,297
Japanese local government bonds	**5,652,880**	5,764,674
Japanese corporate bonds	**11,789,749**	12,393,873
Other securities	**19,228,475**	12,642,514
Total	**¥172,384,603**	¥169,604,359

Fund Management Status

As of March 31

	Millions of yen			
	2014		2013	
	Outstanding assets	%	Outstanding assets	%
Due from banks, etc.	**¥ 19,204,140**	**9.58**	¥ 9,078,233	4.59
Call loans	**1,843,569**	**0.92**	1,837,733	0.92
Receivables under securities borrowing transactions	**7,212,769**	**3.60**	8,141,533	4.11
Money held in trust	**2,919,003**	**1.45**	3,038,863	1.53
Securities:	**166,057,886**	**82.88**	171,596,578	86.81
Japanese Government Bonds	**126,391,090**	**63.08**	138,198,732	69.91
Japanese local government bonds	**5,550,379**	**2.77**	5,806,099	2.93
Japanese corporate bonds	**11,384,142**	**5.68**	11,852,985	5.99
Other securities	**22,732,273**	**11.34**	15,738,761	7.96
Loans	**3,076,325**	**1.53**	3,967,999	2.00
Others	**31,872**	**0.01**	4,222	0.00
Total	**¥200,345,567**	**100.00**	¥197,665,164	100.00

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

Foreign Bonds

As of March 31

Foreign Bonds by Currency

	Millions of yen			
	2014		2013	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	**¥ 4,063,157**	**27.95**	¥ 4,015,930	34.48
U.S. dollar	**7,126,971**	**49.04**	4,928,156	42.31
Euro	**3,282,317**	**22.58**	2,640,844	22.67
Others	**60,172**	**0.41**	61,514	0.52
Total	**¥14,532,618**	**100.00**	¥11,646,446	100.00

Money Held in Trust

As of March 31

Assets by Type

	Millions of yen			
	2014		2013	
	Outstanding assets	%	Outstanding assets	%
Domestic stocks	**¥1,609,435**	**55.54**	¥1,579,002	54.90
Domestic bonds	**1,287,846**	**44.45**	1,297,096	45.09
Foreign stocks	**0**	**0.00**	0	0.00
Total	**¥2,897,283**	**100.00**	¥2,876,099	100.00

Assets by Currency

	Millions of yen			
	2014		2013	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	**¥2,897,282**	**99.99**	¥2,876,098	99.99
U.S. dollar	**—**	**—**	—	—
Euro	**0**	**0.00**	0	0.00
Others	**—**	**—**	—	—
Total	**¥2,897,283**	**100.00**	¥2,876,099	100.00

Note: Cash and deposits are excluded.

Securitized Product Exposure

As of March 31, 2014 and March 31, 2013, the Bank held the following securitized products and other products.

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

As of March 31

1. Securitized Products

		Billions of yen			
		2014			
Region		Acquisition cost (A)	Net unrealized gains (losses) (B)	(B)/(A) (%)	Credit ratings
Domestic	Residential mortgage-backed securities (RMBS)	**¥1,096.7**	**¥ 48.1**	**4.39**	**AAA~AA**
	Subprime loan related	**—**	**—**	**—**	**—**
	Collateralized loan obligations (CLO)	**94.4**	**4.4**	**4.76**	**AA**
	Other securitized products	**12.0**	**0.0**	**0.01**	**AAA**
	Commercial mortgage-backed securities (CMBS)	**—**	**—**	**—**	**—**
	Collateralized debt obligations (CDO)	**6.0**	**0.1**	**3.12**	**AAA**
	Subtotal	**1,209.2**	**52.8**	**4.37**	**/**
Overseas	Residential mortgage-backed securities (RMBS)	**261.0**	**53.7**	**20.59**	**AAA**
	Subprime loan related	**—**	**—**	**—**	**—**
	Subtotal	**261.0**	**53.7**	**20.59**	**/**
Total		**¥1,470.2**	**¥106.5**	**7.25**	**/**

		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	/

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 claims, etc.
5. The above table does not include U.S. government sponsored enterprises (GSEs), etc., related products.
6. Net unrealized gains (losses) include gains (losses) which are recognized in the statements of income by applying fair value hedge accounting. The amounts were ¥50.5 billion of profit as of March 31, 2014 and ¥16.7 billion of profit as of March 31, 2013.

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		
	2014		
	Acquisition cost (A)	Net unrealized gains (losses) (B)	(B)/(A) (%)
Mortgage-backed securities	**¥—**	**¥—**	**—**
Agency securities	**—**	**—**	**—**

	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	—	—	—

Notes: 1. Mortgage-backed securities are those securities arranged and guaranteed by GSEs.
2. Agency securities are those securities issued directly by GSEs.
3. Net unrealized gains (losses) include gains (losses) which are recognized in the statements of income by applying fair value hedge accounting. There was no such amount as of March 31, 2014 while the amount was ¥10.1 billion of profit as of March 31, 2013.

Ratios

Net Ordinary Income to Assets and Equity

Years ended March 31

	%	
	2014	2013
Net ordinary income to assets	0.28	0.30
Net ordinary income to equity	5.03	5.70

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

	%	
	2014	2013
Net income to assets (ROA)	0.17	0.18
Net income to equity (ROE)	3.15	3.59

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

	%	
	2014	2013
Overhead ratio (OHR)	69.86	68.42
Expense-to-deposit ratio	0.61	0.63

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

	%	
	2014	2013
Yield on interest-earning assets (A)	0.93	1.02
Interest rate on interest-bearing liabilities (B)	0.19	0.19
Spread (A)–(B)	0.73	0.82

Loan-Deposit Ratio

As of March 31

	Millions of yen	
	2014	2013
Loans (A)	¥ 3,076,325	¥ 3,967,999
Deposits (B)	176,612,780	176,096,136
Loan-deposit ratio (A)/(B) (%)	1.74	2.25
Loan-deposit ratio (average for the fiscal year) (%)	1.93	2.26

Security-Deposit Ratio

As of March 31

	Millions of yen	
	2014	2013
Securities (A)	¥166,057,886	¥171,596,578
Deposits (B)	176,612,780	176,096,136
Security-deposit ratio (A)/(B) (%)	94.02	97.44
Security-deposit ratio (average for the fiscal year) (%)	97.41	96.18

Others

Over-the-Counter Sales of Japanese Government Bonds

Years ended March 31

	Millions of yen	
	2014	2013
Long-term bonds	**¥ 73,867**	¥ 73,731
Medium-term bonds	**123,770**	134,567
Bonds for individuals	**152,288**	106,910
Total	**¥349,927**	¥315,209

Domestic Exchanges

Years ended March 31

Remittances

	Millions of yen			
	2014		2013	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Sent	**21,642**	**¥17,697,182**	19,311	¥15,874,930
Received	**53,810**	**13,621,048**	45,108	12,079,552

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

Transfer Deposits

	Millions of yen			
	2014		2013	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
In-payment	**1,182,252**	**¥59,028,061**	1,181,903	¥55,216,110
Transfers	**107,492**	**87,321,165**	104,578	85,537,247
Out-payment	**123,361**	**50,848,174**	120,588	48,102,643

Ordinary Remittances and Postal Orders (TEIGAKU KOGAWASE)

	Millions of yen			
	2014		2013	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Ordinary remittances	**2,023**	**¥40,309**	1,704	¥39,241
Postal orders (TEIGAKU KOGAWASE)	**16,671**	**9,254**	16,378	9,101

Foreign Exchanges

Years ended March 31

	Millions of U.S. dollars			
	2014		2013	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Foreign exchanges	**372**	**$1,263**	390	$1,307

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	
	2014	2013
Number of contracts (thousands)	**952**	1,090
Sales amount	**¥339,685**	¥279,187

As of March 31

	Millions of yen	
	2014	2013
Number of investment trust accounts (thousands)	**644**	622
Net assets	**¥977,638**	¥1,016,814

Other Businesses

Credit Cards

Years ended March 31

	Thousands	
	2014	2013
Number of cards issued	70	94

As of March 31

	Thousands	
	2014	2013
Outstanding	1,976	2,081

Mortgage Loans (as intermediary)

Years ended March 31

	Millions of yen	
	2014	2013
Amount of new credit extended	¥24,438	¥24,047

As of March 31

	Millions of yen	
	2014	2013
Amount of new credit extended (cumulative)	¥272,148	¥247,710

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	
	2014	2013
Number of policies	12,214	10,259
Sales amount	¥69,286	¥52,865

As of March 31

	Millions of yen	
	2014	2013
Number of policies (cumulative)	53,569	41,355
Sales amount (cumulative)	¥278,537	¥209,251

Capital Position

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

As of March 31

		Millions of yen	
		2014	Amounts excluded under transitional arrangements
Core Capital: instruments and reserves	Directly issued qualifying common stock or preferred stock mandatorily converted into common stock capital plus related capital surplus and retained earnings	¥ 9,404,306	/
	of which: Capital and capital surplus	7,796,285	/
	of which: Retained earnings	1,702,007	/
	of which: Treasury stock (deduction)	—	/
	of which: Cash dividends to be paid (deduction)	93,987	/
	of which: Other than above	—	/
	Subscription rights to common stock or preferred stock mandatorily converted into common stock	—	/
	Reserves included in Core Capital: instruments and reserves	336	/
	of which: General reserve for possible loan losses	336	/
	of which: Eligible reserve	—	/
	Eligible Non-cumulative perpetual preferred stock subject to phase out arrangement included in Core Capital: instruments and reserves	—	/
	Eligible capital instrument subject to phase out arrangement included in Core Capital: instruments and reserves	—	/
	Capital instrument issued through the measures for strengthening capital by public institutions included in Core Capital: instruments and reserves	—	/
	45% of revaluation reserve for land included in Core Capital: instruments and reserves	—	/
	Core Capital: instruments and reserves (A)	9,404,643	/
Core Capital: regulatory adjustments	Total intangible fixed assets (net of related tax liability, excluding those relating to mortgage servicing rights)	—	¥37,795
	of which: Goodwill (net of related tax liability)	—	—
	of which: Other intangible fixed assets other than goodwill and mortgage servicing rights (net of related tax liability)	—	37,795
	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—
	Shortfall of eligible provisions to expected losses	—	—
	Securitization gain on sale	—	—
	Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
	Prepaid pension costs	—	—
	Investments in own shares (excluding those reported in the Net Assets section)	—	—
	Reciprocal cross-holdings in capital instruments issued by Other Financial Institutions for raising capital that are held by the Holding Company Group	—	—
	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation ('Other Financial Institutions'), net of eligible short positions, where the bank does not own more than 10% of the issued share capital ('Non-significant Investment') (amount above the 10% threshold)	—	—
	Amount exceeding the 10% threshold on specified items	—	—
	of which: Significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
	of which: Mortgage servicing rights	—	—
	of which: Deferred tax assets arising from temporary differences (net of related tax liability)	—	—
	Amount exceeding the 15% threshold on specified items	—	—
	of which: Significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
	of which: Mortgage servicing rights	—	—
	of which: Deferred tax assets arising from temporary differences (net of related tax liability)	—	—
	Core Capital: regulatory adjustments (B)	—	/
Total capital	Total capital (A)–(B)=(C)	¥ 9,404,643	/

		Millions of yen	
		2014	Amounts excluded under transitional arrangements
Risk-weighted assets	Credit risk-weighted assets	¥13,482,628	/
	of which: Total of items included in risk-weighted assets subject to transitional arrangements	(618,934)	/
	of which: Intangible fixed assets other than goodwill and mortgage servicing rights (net of related tax liability)	37,795	/
	of which: Deferred tax assets (net of related tax liability)	—	/
	of which: Prepaid pension costs	—	/
	of which: Other Financial Institutions Exposures	(656,730)	/
	of which: Other than the above	—	/
	Market risk equivalent / 8%	—	/
	Operational risk equivalent / 8%	3,070,695	/
	Credit risk-weighted assets adjustments	—	/
	Operational risk equivalent adjustments	—	/
	Total amount of risk-weighted assets (D)	16,553,324	/
Capital adequacy ratio	Capital adequacy ratio (C)/(D) (%)	56.81	/

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.

As of March 31

Account		Millions of yen 2013
Tier I capital	Common stock	¥ 3,500,000
	Non-cumulative perpetual preferred stock	—
	Deposit for subscriptions to shares	—
	Capital surplus reserve	4,296,285
	Other capital surplus	—
	Legal retained earnings	—
	Other retained earnings	1,440,830
	Others	—
	Treasury stock (deduction)	—
	Advance on subscription for treasury stock	—
	Cash dividends to be paid (deduction)	93,487
	Unrealized losses on other securities (deduction)	—
	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
	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
	Capital raising through debt financing	—
	Items not included in Tier II capital (deduction)	—
	Total Tier II capital (B)	454
Deductions	Deductions (C)	—
Total risk-based capital	Total risk-based capital (A)+(B)–(C)=(D)	¥ 9,144,082
Risk-weighted assets	On-balance-sheet items	¥10,212,098
	Off-balance-sheet items	436,338
	Operational risk equivalent / 8%	3,197,587
	Risk assets, etc. (E)	13,846,024
Capital adequacy ratio (D)/(E) (%)		66.04
Tier I capital ratio (A)/(E) (%)		66.03

Notes: 1. Capital adequacy ratio (non-consolidated, domestic standard) is calculated based on Capital Adequacy Notification.
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 issuance 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 total stockholders' equity related to common stock to its 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 capital, a portion of unrealized valuation gains and losses 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 proportion of total stockholders' equity related to common stock to its risk capital.

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

Total Required Capital (Non-Consolidated)

As of March 31

	Millions of yen	
	2014	2013
(1) Capital requirement for credit risk:	**¥539,305**	¥425,937
Portfolios applying the standardized approach	**533,127**	423,357
Securitization exposures	**3,040**	2,579
CVA risk equivalent	**3,137**	/
Central Counterparty-related exposures	**—**	/
(2) Capital requirement for market risk:	**—**	/
(3) Capital requirement for operational risk:	**122,827**	127,903
The basic indicator approach	**122,827**	127,903
(4) Total capital requirements (1) + (2) + (3)	**¥662,132**	¥553,840

Notes: 1. Capital requirement for credit risk: Credit risk-weighted assets x 4%
2. Capital requirement for operational risk: (Operational risk equivalent / 8%) x 4%
3. Total capital requirements: Denominator of capital adequacy ratio x 4%

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

As of March 31

Item	(Reference) Risk weight (%)	Millions of yen 2014	2013
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	12,790	14,340
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	5,082	5,988
7 Multilateral Development Banks	0–100	5	7
8 Japan Finance Organization for Municipalities	10–20	2,697	2,291
9 Japanese government agencies	10–20	14,255	16,260
10 Three regional public corporations	20	15	—
11 Financial institutions and Type I Financial Instruments Business Operators	20–100	85,216	73,975
12 Corporates	20–100	292,864	221,012
13 Small and mid-size enterprises and individuals	75	—	—
14 Mortgage loans	35	—	—
15 Project finance (acquisition of real estate)	100	7,830	4,026
16 Past-due loans (three months or more)	50–150	13,748	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	100–1250	42,221	54,961
Exposure to investments, etc.	100	42,221	/
Exposure to critical investments	1250	—	/
21 Other than above	100–250	61,870	9,387
Exposures to fund procurement methods by other financial institutions, etc., other than those corresponding to common shares, etc.	250	43,782	/
Exposures to specific items that are not included in adjustment items	250	11,049	/
Exposures other than those listed above	100	7,039	/
22 Securitization transactions (as originator)	20–1250	—	—
Re-securitization transactions	40–1250	—	—
23 Securitization transactions (as investor and other)	20–1250	3,040	2,579
Re-securitization transactions	40–1250	69	80
24 Assets comprised of asset pools (so-called funds) for which the individual underlying assets are difficult to identify	—	—	—
25 Amounts included in risk-weighted assets due to transitional arrangements	—	1,511	/
26 Amounts related to exposures to fund procurement methods of other financial institutions, and such like, where such amounts are not included in risk-weighted assets due to transitional arrangements	—	(26,269)	/
Total	—	¥516,882	¥408,483

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 2014	2013
1	Commitments cancelable automatically or unconditionally at any time	0	—	—
2	Commitments with an original maturity up to one year	20	—	¥ 8
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	6,108	6,235
	(Secured with loan guarantees)	100	2,729	3,660
	(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	1,919	1,515
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	18	0
10	Securities lending, cash or securities collateral provision, or repo-style transactions	100	11,010	8,616
11	Derivative transactions and long-settlement transactions	—	2,091	2,537
	Current exposure method	—	2,091	2,537
	Derivative transactions	—	2,091	2,537
	(1) Foreign exchange-related transactions	—	2,545	2,002
	(2) Interest rate-related transactions	—	577	487
	(3) Gold-related transactions	—	—	—
	(4) Equity-related transactions	—	0	—
	(5) Precious metal-related transactions (excluding gold)	—	—	—
	(6) Other commodity-related transactions	—	—	—
	(7) Credit derivative transactions (counterparty risk)	—	43	48
	Write-off of credit equivalent amounts under master netting agreement (deduction)	—	1,075	—
	Long-settlement transactions	—	—	0
12	Unsettled transactions	—	1	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	—	—
	Total	—	¥19,285	¥17,453

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.
3. From the end of fiscal 2013, the effect of write-offs of credit equivalent amounts under master netting agreements has been taken into account.

Credit Risk

Outline of Credit Risk Management Policies and Procedures

See Pages 43–46 (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
Japan Finance Organizaiton for Municipalities		R&I, JCR, Moody's, S&P
Japanese government agencies		R&I, JCR, Moody's, S&P
Three regional public corporations		R&I, JCR, Moody's, S&P
Financial institutions and Type I Financial Instruments Business Operators	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Corporates	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P
Securitization transactions		R&I, JCR, Moody's, S&P

Exposure by Region, Industry, and Remaining Period

As of March 31

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

		Millions of yen					
		2014					
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total	Past due loans for three months or more
Domestic	Agriculture, forestry, fisheries, and mining	—	—	—	—	—	—
	Manufacturing	¥ 140,011	¥ 759,535	—	¥ 0	¥ 899,548	—
	Utilities, information/communications, and transportation	118,160	4,764,875	—	7,840	4,890,876	—
	Wholesale and retail	105,930	164,175	—	2	270,107	—
	Finance and insurance	45,697,032 (25,117,339)	5,293,034	¥44,692	52,881	51,087,641 (25,117,339)	—
	Construction and real estate	11,501	124,223	—	0	135,724	—
	Services and goods rental/leasing	1,037,178	396,561	—	51,240	1,484,980	—
	Central and local governments	2,342,276	130,936,501	—	9,079	133,287,857	—
	Others	4,576,316	—	—	261,373	4,837,690	¥ 0
	Total	54,028,408 (25,117,339)	142,438,906	44,692	382,419	196,894,427 (25,117,339)	0
Foreign	Sovereigns	112	4,969,381	—	570	4,970,063	—
	Financial institutions	1,088,927	4,272,918	43,797	1,555	5,407,198	—
	Others	274,934	10,748,534	41	124	11,023,634	—
	Total	1,363,974	19,990,834	43,838	2,249	21,400,897	—
Grand total		55,392,383 ¥(25,117,339)	¥162,429,740	¥88,531	¥384,669	218,295,324 ¥ (25,117,339)	¥ 0

		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)	—

Notes: 1. Loans, deposits, etc., comprise loans, due from banks, call loans, and off-balance sheet assets other than derivatives. Figures in parentheses are collateral provided (off-balance sheet assets) to the Management Organization for Postal Savings and Postal Life Insurance noted elsewhere.
2. Securities include Government Bonds, local government bonds, corporate bonds, etc.
3. Derivatives comprise such instruments as 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.
6. Excludes intangible fixed assets that were subject to credit risk asset calculations under the interim measure.

As of March 31

Exposure by Time to Maturity

Time to maturity	Millions of yen 2014 Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	¥ 26,405,631 (25,117,339)	¥ 34,235,698	¥ 2,856	¥ 62,188	¥ 60,706,374 (25,117,339)
> One and ≤ three years	714,812	42,386,041	41,983	2,733	43,145,571
> Three and ≤ five years	1,086,922	24,738,189	32,084	146	25,857,343
> Five and ≤ seven years	480,288	19,516,950	9,940	2	20,007,181
> Seven and ≤ ten years	873,168	30,842,861	1,666	—	31,717,696
Over ten years	1,439,183	2,905,918	—	—	4,345,101
No designated term	24,392,375	7,804,080	—	319,598	32,516,054
Total	55,392,383 ¥(25,117,339)	¥162,429,740	¥88,531	¥384,669	218,295,324 ¥ (25,117,339)

Time to maturity	Millions of yen 2013 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)

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, 2014 and 2013.

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	
	2014	2013
General reserve for possible loan losses	**¥141**	¥208
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	
	2014	2013
General reserve for possible loan losses	**¥(66)**	¥(6)
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 94.

By Industry

Balance at the end of the fiscal year

As of March 31

	Millions of yen	
	2014	2013
General reserve for possible loan losses	**¥141**	¥208
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	
	2014	2013
General reserve for possible loan losses	**¥(66)**	¥(6)
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 94.

Exposure by Risk Weight Classification

As of March 31

	Millions of yen			
	2014		2013	
Risk weight	Rated	Not rated	Rated	Not rated
0%	**¥167,668,045**	**¥45,073,172**	¥168,333,759	¥47,770,475
2%	**—**	**—**	—	—
4%	**—**	**—**	—	—
10%	**941**	**4,464,314**	—	4,887,048
20%	**13,728,579**	**1,999**	12,135,307	—
35%	**—**	**—**	—	—
50%	**5,314,832**	**—**	4,201,053	—
75%	**—**	**—**	—	—
100%	**3,833,312**	**2,550,009**	2,740,029	2,726,416
150%	**229,138**	**—**	67,936	—
250%	**332,704**	**215,609**	—	—
1250%	**—**	**—**	—	—
Others	**4**	**—**	3	—
Total	**¥191,107,557**	**¥52,305,105**	¥187,478,089	¥55,383,940

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.
4. Assets subject to transitional arrangements are recorded under the risk-weighted classification where transitional arrangements do not apply.

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 derivatives subject to risk mitigation methods.

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

The Bank refers to the regulations of each overseas transacting country and takes into account the effect of derivative transactions such as interest rate swaps and currency swaps for which close-out netting agreements have been concluded.

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

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			
	2014		2013	
Item	Exposure	%	Exposure	%
Eligible financial collateral	**¥45,096,205**	**88.53**	¥47,346,924	87.59
Guarantees	**5,841,094**	**11.46**	6,703,773	12.40
Total	**¥50,937,299**	**100.00**	¥54,050,698	100.00

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

Derivative Transactions and Long-Settlement Transactions

Outline of Risk Management Policies and Procedures

• Policy on Collateral Security and Reserve Calculation and Impact of Additional Collateral Demanded on Deterioration of Credit Quality

The Bank signs, as necessary, credit risk mitigation contracts with counterparties in derivative transactions that involve regular transfers of collateral determined in accordance with replacement costs and the likes. Under these contracts, the Bank must provide the counterparty with additional collateral in the event of deterioration in the Bank's credit quality. However, the impact of the additional collateral is deemed to be minor.

At the end of the fiscal year ended March 31, 2014, collateral provided for these derivative transactions amounted to ¥1,054,561 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	
	2014	2013
Gross replacement costs	**¥ 5,407**	¥ 7,713
Gross add-on amounts	**217,524**	208,232
Gross credit equivalents	**222,931**	215,946
Currency-related transactions	**182,050**	172,377
Interest rate-related transactions	**40,880**	43,568
Long-settlement transactions	**—**	0
Write-off of credit equivalent amount due to netting (deduction)	**134,399**	/
Net credit equivalents	**88,531**	/
Collateral held	**1,312**	/
Marketable securities	**1,312**	/
Net credit equivalent amounts (after considering credit risk mitigation benefits due to collateral)	**88,531**	/

Notes: 1. Net credit equivalents are calculated using the Current Exposure Method.
2. Derivative transactions and long-settlement transactions are recorded only for transactions that require the calculation of net credit equivalents.
3. Does not include exposure in funds that include investment trusts, etc.
4. Gross replacement costs for which reconstruction costs were less than zero are not included.
5. From the close of the fiscal year ended March 31, 2014, the effect of write-offs of credit equivalent amounts under master netting agreements has been taken into account.
6. Credit risk mitigation benefits due to collateral are considered in risk weighting, but not in credit equivalent amounts.
7. There are no trades involving credit derivatives subject to calculation of credit equivalent amounts and credit derivatives used for taking into account credit risk mitigation effects.
8. The credit equivalent amount reduced by netting is equal to the figure obtained by subtracting credit equivalent amounts prior to credit risk mitigation with collateral from the sum of aggregated gross replacement costs and total gross add-ons.

Securitization Exposure

Outline of Risk Management Policies and Risk Characteristics

The Bank is exposed to risk associated with securitization as an investor. For the acquisition of securitized instruments, the Bank 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 market risk, credit risk and market liquidity risk is reported to the Executive Committee and other organizational bodies.

Re-securitization exposure is the same as securitization exposure.

Outline of Establishment and Operation of System Prescribed by Section 4-3 to 4-6, Article 249 of the Public Notices on Capital Adequacy Ratios of Financial Instruments Business Operators

With regards to securitization exposure, the Bank has a system for ascertaining information relating to comprehensive risk characteristics and performance on a timely basis. Specifically, in addition to regularly reviewing ratings assigned to debtors, the Bank reviews ratings assigned to debtors when necessary if there has been deterioration in the quality of underlying assets, a change in the composition of underlying assets or other development that affects a debtor rating.

Re-securitization exposure is the same as securitization exposure.

Policy on Using Securitization Transactions as a Credit Risk Mitigation Method

The Bank does not use securitization transactions as a credit risk mitigation method.

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

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

Type of Securitization Conduit Used for Any Securitization Transactions Related to Third-party Assets Using Securitization Conduits and whether Securitization Exposures Related to such Securitization Transactions Are Held

The Bank does not conduct securitization transactions related to third-party assets using securitization conduits.

Subsidiaries, Affiliates and Other such Entities Holding Securitization Exposures Related to Securitization Transactions Conducted by the Bank

There are no subsidiaries, affiliates or other such entities holding securitization exposures related to securitization transactions conducted by the Bank.

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

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

- Rating and Investment Information, Inc. (R&I)
- Japan Credit Rating Agency, Ltd. (JCR)
- Moody's Investors Service, Inc. (Moody's)
- 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 2014	2013
Mortgage loans	**¥311,121**	¥258,922
Auto loans	**11,803**	2,645
Leases	**63**	771
Accounts receivable	**137**	1,080
Corporate loans	**94,783**	94,889
Others	**1,692**	2,944
Total	**¥419,601**	¥361,254

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 2014	2013
Mortgage loans	**¥4,346**	¥5,059
Auto loans	**—**	—
Leases	**—**	—
Accounts receivable	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥4,346**	¥5,059

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			
	2014		2013	
Risk weight	Balance	Capital requirements	Balance	Capital requirements
Less than 20%	**¥ 96,476**	**¥ 385**	¥ 97,834	¥ 391
20%	**323,124**	**2,584**	263,419	2,107
50%	**—**	**—**	—	—
100%	**—**	**—**	—	—
350%	**—**	**—**	—	—
1250%	**—**	**—**	—	—
Total	**¥419,601**	**¥2,970**	¥361,254	¥2,498

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			
	2014		2013	
Risk weight	Balance	Capital requirements	Balance	Capital requirements
Less than 40%	**—**	**—**	—	—
40%	**¥4,346**	**¥69**	¥5,059	¥80
100%	**—**	**—**	—	—
225%	**—**	**—**	—	—
650%	**—**	**—**	—	—
1250%	**—**	**—**	—	—
Total	**¥4,346**	**¥69**	¥5,059	¥80

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 47 (Operational Risk Management).

Method Applied for the Calculation of Operational Risk Equivalent Amounts

The Bank adopts the Basic Indicator Approach stipulated in the Capital Adequacy Notification to calculate operational risk equivalent amounts based on capital adequacy regulations.

Investments, Stock, and Other Exposure in Banking Book

Outline of Risk Management Policies and Procedures

Among exposures to investments, stocks, and other exposures in the banking book, the Bank manages risk for available-for-sale securities in accordance with Market Risk Management/Market Liquidity Risk Management (Pages 41–42) and Credit Risk Management (Pages 43–46).

The Bank holds no investments in subsidiaries, and manages securities of affiliates appropriately.

1. Balance Sheet Amounts and Fair Values

As of March 31

	Millions of yen			
	2014		2013	
	Balance sheet amount	Fair value	Balance sheet amount	Fair value
Exposure to listed equities, etc.	—	—	—	—
Exposure to investments or equities, etc., other than above	¥935	/	¥231,551	/
Total	¥935	/	¥231,551	/

Notes: 1. Investments in stocks and other instruments in the banking book include exposures the Bank deems it extremely difficult to determine a fair value given the unavailability of market prices. Consequently, the fair value for these instruments is not provided, in the same way that fair value information on valuation methodology for financial instruments is not provided.
2. The figures in the above table do not include exposure to instruments embedded in investment trust, etc. The same applies below.
3. The classification of the Bank's investment, equity and other exposures based on Japanese domestic Basel Ⅲ standards was partially revised effective March 31, 2014.

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

Years ended March 31

	Millions of yen	
	2014	2013
Gains (Losses):	—	—
Gains	—	—
Losses	—	—
Write-offs	—	—

Notes: 1. The gains and losses in the above table are recorded as gains (losses) on sales of stock, etc., on the statements of income.
2. The classification of the Bank's investment, equity and other exposures based on Japanese domestic Basel Ⅲ standards was partially revised effective March 31, 2014.

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

Years ended March 31

	Millions of yen	
	2014	2013
Unrealized gains (losses) recognized on the balance sheets but not on the statements of income	—	¥928

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

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

Years ended March 31

	Millions of yen	
	2014	2013
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 41–42 (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 41–42 (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	
	2014	2013
Amount of loss (A)	**¥1,069.1**	¥ 793.2
Total capital (B)	**9,404.6**	9,144.0
Loss-to-capital ratio (A)/(B) (%)	**11.36**	8.67

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. From the fiscal year ended March 31, 2014, the Bank has applied an internal model to allocate the estimated balance and termination dates of liquid deposits that have remained on deposit in the Bank for a long term without being withdrawn, (so-called "core deposits"), and calculate the interest rate risk amount for them.
3. Tier I + Tier II has been used as the amount of total capital at the close of the fiscal year ended March 31, 2013.
4. According to the "Comprehensive Guidelines for Major Banks, etc." prescribed by the Financial Services Agency (FSA), "Because JAPAN POST BANK is obligated legally to hold a portion of its assets in government bonds and other "safe" assets, the FSA takes this special information into consideration in its oversight of the Bank in terms of the application of the outlier standard."

JAPAN POST GROUP Charter of Corporate Conduct

(1) Earn the trust of customers

- We earn the trust of customers by adopting their perspective and meeting their expectations.
- We protect and manage information strictly so that customers can use our services with peace of mind.
- We fulfill our responsibility to explain our operations by conducting highly transparent business operations and disclosing information in a fair manner.

(2) Observe ethical standards

- We continue to conduct business activities with sincerity by complying with laws, regulations, social standards and internal rules.
- We stand firmly against antisocial forces and organizations that threaten the order and safety of civil society.
- We maintain workplace discipline by clearly defining responsibilities and authority and fairly evaluating performance and results.

(3) Place priority on coexistence

- We actively promote environmental conservation and make a significant contribution to society through business activities.
- We aim for sustainable coexistence by placing importance on maintaining dialogues with diverse stakeholders.
- We respect human rights and provide safe and pleasant workplaces.

(4) Create value

- We will create new convenience for customers and provide them with high-quality services.
- We will create stable value by providing universal services in our three core businesses through the JAPAN POST GROUP network.
- We will utilize teamwork and create corporate value for the JAPAN POST GROUP by promoting mutual understanding and cooperation among employees and encouraging each and every employee to fulfill their roles and responsibilities.

(5) Be a source of change

- We will apply technological innovation and continually make innovative changes internally to provide stable services to our customers.
- We exercise our creativity from a broad viewpoint and lofty perspective to promote the Group’s development.
- We aggressively take on the challenge of conducting global business activities.

JAPAN POST BANK

VEGETABLE OIL INK

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