

Super Global, Super Regional



Annual Report 2015

Year ended March 31, 2015

MANAGEMENT PHILOSOPHY

JAPAN POST BANK aims to become “the most



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accessible and trustworthy bank in Japan."



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.

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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, 2015 and September 30, 2015, 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.

Message from the President & CEO



JAPAN POST BANK listed on the First Section of the Tokyo Stock Exchange on November 4, 2015.

I wish to express my heartfelt gratitude for the encouragement and goodwill of our stakeholders, without which this listing would not have been possible.

We will endeavor to improve enterprise value by enhancing services in tune with the needs of local communities and strengthening global asset management.

Economic Environment and Business Performance for the Six Months Ended September 30, 2015

The global economy was affected by a slowdown in emerging economies while moderate growth continued in advanced economies. In Japan, although corporate earnings continued to improve, real GDP growth turned negative in the April–June quarter for the first time in three quarters, and has remained flat since, leaving uncertainties about the outlook for the economy. On financial and capital markets, long-term domestic interest rates remained low amid quantitative easing by the Bank of Japan. Although domestic interest rates rose briefly on an increase in overseas interest rates, they resumed their downward trend thereafter, pulled down by a decline in interest rates around the world and the economic slowdown in China and other emerging countries.

Under these economic conditions, in the six months ended September 30, 2015, we posted net income of ¥171.5 billion, a decrease of ¥10.1 billion from a year earlier, which marked steady progress (53.6%) toward our full-year forecast of ¥320 billion. Net interest income declined on account of historically low interest rates, while net fees and commissions as well as other net operating income increased. We have continued to steadily diversify assets under management, which has offset some of the decline in net interest income from Japanese government bonds (JGBs). At the same time, the Bank reported contributions from increased sales of investment trusts as well as reductions in operating expenses.

> Net Income

¥171.5 billion
For the six months ended
September 30, 2015

Initiatives for the Six Months Ended September 30, 2015

JAPAN POST BANK has defined the fiscal year ending March 2016 as a year for further strengthening its business foundation as a listed company. We have been implementing the following measures with this objective in mind, based on the Japan Post Group Medium-Term Management Plan, which was announced in April 2015.

> Enhancing Sales Strategies

JAPAN POST BANK concentrated on the two key measures in its sales strategies, namely to build a stable customer base and expand fee income. In our aim to expand fee income, we advanced measures to promote wider use of our ATM network by strategically installing ATMs in locations outside our bank branches, such as in FamilyMart convenience stores in urban areas, and by expanding alliances with regional financial institutions. We also broadened our product line of investment trust and variable annuity products.

>> Compliance First <<

> Executing an ALM Strategy

We continued to engage in asset liability management that is based on two pillars. These pillars consist of a “base portfolio” that seeks to secure a stable source of earnings over the medium term mainly through investment in JGBs, and a “satellite portfolio” that pursues higher returns through internationally diversified investments.

For the “base portfolio,” we have reduced the amount of long-term JGB investments, taking into consideration the risk of an increase in yen interest rates in the future. On the other hand, for the “satellite portfolio,” we have expanded credit investments mainly overseas over the last few years. We are also making plans to enter into new investment fields.

> Improving Internal Controls

Thirdly, we are improving our internal control systems. Based on our basic policy of “Compliance First,” management focused on improving awareness of compliance issues throughout the organization. In my presentations to directors and employees, I often say, “It takes three years to build a fortress but only three days to tear it down.” JAPAN POST BANK thrives on the confidence and trust placed in it by its customers, and a compliance-related problem could instantly tarnish its credibility and reputation that has been carefully nurtured over many long years, and even threaten the future of the entire company. Our growth strategies would not be possible without the confidence and trust of our customers. In addition to thoroughly instilling an awareness of laws and regulations, we aim to enhance our management posture on customer protection and other matters, ensure we have no connections with anti-social forces, and bolster security against cyberattacks.

> Strengthening Management

With the aim of creating a management posture suitable for a listed company, JAPAN POST BANK formulated the Basic Policy on Corporate Governance in November 2015 and focused on increasing the level of sophistication in its corporate governance. JAPAN POST BANK interacts with the rest of the Japan Post Group based on the arm’s length rule.

> Promoting Diversity Management

In addressing the needs of our customers in tune with their life stages, we believe it is essential that each and every employee strives to improve their behavior on a daily basis while being aware of the diversity and unique nature of their situation. We believe that this approach will result in stable growth for JAPAN POST BANK. We are therefore placing a priority on supporting women in the workforce, while nurturing a corporate culture that respects work-life balance management and career promotion.

Future Strategy of JAPAN POST BANK

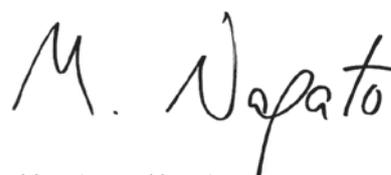
The listing of JAPAN POST BANK in November 2015 was a first step for our renewed history and also an opportunity to become stronger.

I see our business model as one that comprises both “Super Global” & “Super Regional” characteristics. Under this business model, the Bank manages assets on a “Super Global” basis in the enormous international financial market, while at the same time taking a grass-roots “Super Regional” approach to serving customers in each region through cross-selling and consulting services.

Under our “Super Global” approach, we seek to generate higher returns in our “satellite portfolio” by enhancing in-house and outsourced management for internationally diversified investments, and cultivating new investment frontiers such as alternative investment products. In tandem with this endeavor to promote increasingly sophisticated investment strategies, we will also strengthen our risk analysis and risk management structure as well as our credit risk management. Under our “Super Regional” approach, we are concentrating on expanding our ATM network through alliances with other financial institutions, and increasing fee income on sales of asset management products, especially investment trusts. In July 2015, we announced that the Bank had reached an agreement to jointly establish a new asset management company with JAPAN POST Co., Ltd., Sumitomo Mitsui Trust Bank, Limited and Nomura Holdings, Inc. This alliance is just one example of our “Super Regional” strategy.

We will endeavor to further improve enterprise value while advancing our “Super Global” & “Super Regional” business model.

January 2016



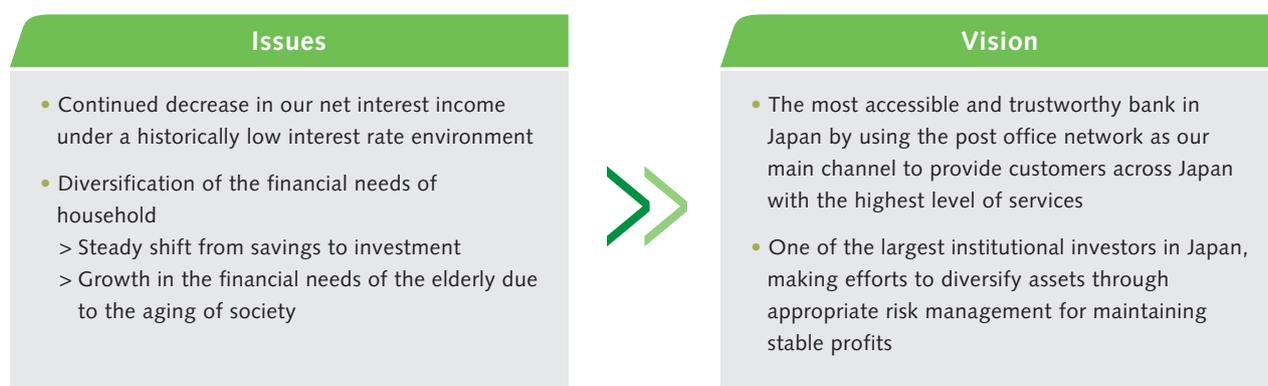
Masatsugu Nagato
President & CEO

>>Super Global
&
Super Regional<<

Overview of the Medium-term Management Plan

JAPAN POST BANK is working to carry out its medium-term management plan, which covers the three-year period from April 1, 2015 to March 31, 2018. We aim to be the most accessible and trustworthy bank in Japan by using the post office network as our main channel to provide our customers across Japan with the highest level of service. In addition, we aim to be one of the largest institutional investors in Japan, making efforts to diversify assets through appropriate risk management for maintaining stable profits.

Vision



Major Initiatives

<p>Marketing strategy</p>	<ul style="list-style-type: none"> Increase assets under management by securing a stable client base Expand in expected growth areas such as investment products, ATM alliances, credit cards, etc. Leverage customer data through CRM*1 Build a structure and system that is capable of providing customer-oriented services
<p>Investment strategy</p>	<ul style="list-style-type: none"> Enhance and promote global asset allocation under prudent risk management <ul style="list-style-type: none"> > Increase the satellite portfolio balance*2 to ¥60 trillion as of the end of FY2018/3 Expand our investment area, such as alternative investments Further strengthening of investment organization
<p>Development of a management system</p>	<ul style="list-style-type: none"> Enhanced corporate governance, as appropriate for a listed company Improvement of the risk management system Promotion of human resource development, strategic human resource allocations, and support for women to work more actively Business process reengineering Enhance cost reduction efforts such as IT cost, etc.

*1 CRM: Customer Relationship Management

*2 Satellite portfolio managed with the aim of accumulating profit, including in the form of capital gains from sales of bonds and other assets, primarily by taking credit and market risks through diversified investment in foreign and other assets such as corporate bonds, foreign securities, equities, etc.

Financial Targets (FY2018/3) and Dividend Policy

Financial Targets in FY2018/3

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

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

*2 Investment products = investment trusts + variable annuities

Dividend Policy

Compelling / Stable Shareholder Return

Dividend payout ratio: approx. 50% or more

Note: Target and forecast numerical data put in place and announced in April 2015. The distribution of this annual report does not constitute a reconfirmation of target and forecast numerical data as of the date of distribution.

Financial Highlights

Statements of Income

	Millions of yen					For the six months ended September 30, 2015
	For the year ended March 31,					
	2015	2014	2013	2012	2011	
Gross operating profit:	¥1,634,774	¥1,568,715	¥1,624,329	¥1,670,002	¥1,718,949	¥759,496
Net interest income* ¹	1,540,799	1,470,268	1,532,152	1,677,349	1,686,472	699,430
Net fees and commissions	89,251	92,690	88,126	88,460	87,990	46,950
Net other operating income (loss)	4,723	5,756	4,050	(95,806)	(55,514)	13,115
General and administrative expenses* ²	1,114,775	1,096,028	1,111,521	1,174,532	1,210,195	531,684
Operating profit (before provision for general reserve for possible loan losses)	519,998	472,687	512,808	495,470	508,753	227,812
Net ordinary income	569,489	565,095	593,535	576,215	526,550	251,695
Net income	369,434	354,664	373,948	334,850	316,329	171,587

Balance Sheets

	Millions of yen					As of September 30, 2015
	As of March 31,					
	2015	2014	2013	2012	2011	
Total assets:	¥208,179,309	¥202,512,882	¥199,840,681	¥195,819,898	¥193,443,350	¥207,232,518
Securities	156,169,792	166,057,886	171,596,578	175,953,292	175,026,411	149,801,138
Loans	2,783,985	3,076,325	3,967,999	4,134,547	4,238,772	2,617,649
Total liabilities:	196,549,097	191,048,358	188,843,123	186,001,735	184,349,715	196,024,713
Deposits	177,710,776	176,612,780	176,096,136	175,635,370	174,653,220	177,131,058
Total net assets	11,630,212	11,464,524	10,997,558	9,818,162	9,093,634	11,207,805

Key Indicators and Others

	As of and for the year ended March 31,					As of and for the six months ended September 30, 2015
	2015	2014	2013	2012	2011	
Net income to assets (ROA)* ³	0.17%	0.17%	0.18%	0.17%	0.16%	0.16%* ⁸
Net income to equity (ROE)* ⁴	3.20%	3.15%	3.59%	3.54%	3.52%	2.99%* ⁸
Expense-to-deposit ratio* ⁵	0.62%	0.61%	0.63%	0.66%	0.68%	0.59%* ⁸
Capital adequacy ratio (non-consolidated, domestic standard)* ⁶	38.42%	56.81%	66.04%	68.39%	74.82%	30.45%
Tier I capital ratio	—	—	66.03%	68.39%	74.81%	—
Number of employees* ⁷	12,889	12,963	12,922	12,796	12,351	13,215
Number of outlets	24,167	24,208	24,215	24,249	24,248	24,145
Number of ATMs	27,215	26,698	26,669	26,557	26,331	27,244

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

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

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

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

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

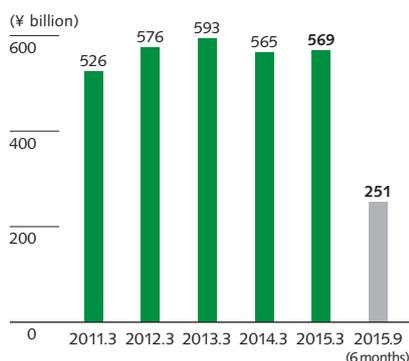
6. Capital adequacy ratios (non-consolidated, domestic standard) are calculated based on standards stipulated by Article 14-2 of the Banking Act for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments (Notification No. 19, the Financial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

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

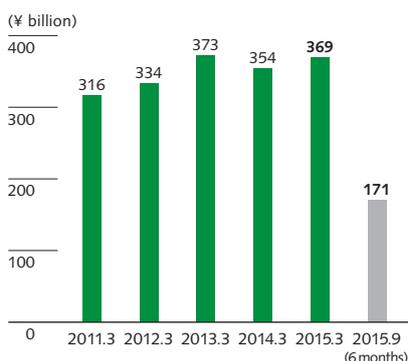
The figures do not include short-term contract and part-time employees.

8. ROA, ROE and expense-to-deposit ratio are annualized.

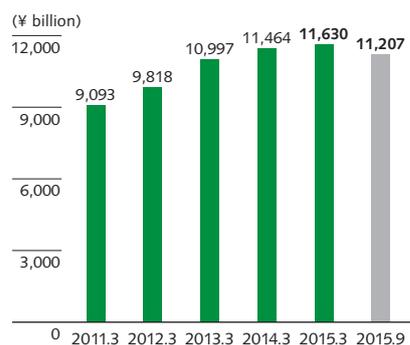
Net Ordinary Income



Net Income



Net Assets



Super Global, Super Regional

JAPAN POST BANK listed on the First Section of the Tokyo Stock Exchange on November 4, 2015.

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As an opportunity to become stronger and grow, this listing allows us to renew our commitment to further growth.

“Super Global” & “Super Regional” characterizes the business model of JAPAN POST BANK. Under this model, the Bank manages assets on a global basis in the enormous international financial market, while adopting a “Super Global” approach in its efforts to become the world’s preeminent institutional investor. At the same time, we take a grass-roots “Super Regional” approach to serve customers by utilizing our nationwide network of post offices and ATMs. In this manner, we will endeavor to further improve enterprise value and ask that you look forward to our continued growth and development.



Our DNA

Profile

The origin of JAPAN POST BANK dates back to 1875, in the Meiji Era, when the first postal savings service was established.

These savings accounts have been used to aid the modernization of Japan and to help reconstruct infrastructure after World War II. In 2001, the Postal Services Agency was reorganized by the Ministry of Post and Telecommunications as a part of various reforms by the central government; this was also the beginning of privatization.

In 2003, the Postal Service Agency was incorporated as Japan Post Corporation.

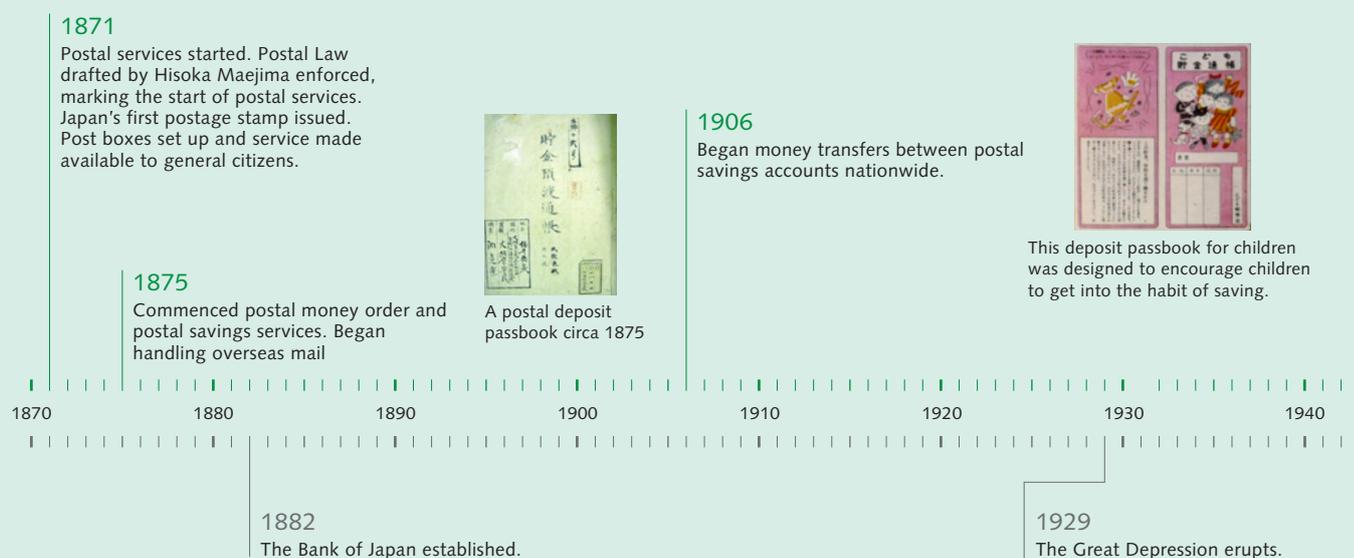
In 2007, JAPAN POST BANK was divested from JAPAN POST HOLDINGS as a private company.

JAPAN POST BANK listed its shares on the First Section of the Tokyo Stock Exchange on November 4, 2015.



For some 140 years since the launch in 1875 of postal deposits as a simple and secure way of undertaking savings, JAPAN POST BANK has made every effort to ensure the safety of each individual customer's assets. Working tirelessly, the Bank has garnered wide-ranging support, providing large numbers of customers with the most trustworthy means in which to entrust their hard-earned savings. Playing an important role in the creation of financial assets in Japan, TEIGAKU deposits in particular have provided the impetus for robust growth in postal savings. Customers are able to place their funds with ease without the need to fix a deposit term in advance. TEIGAKU deposits therefore offer a level of flexibility that other banks are unable to provide.

History of JAPAN POST BANK



Relevant History of the World and Japan



Meeting a Variety of Financial Needs

 In order to provide a full lineup of products and services that meet the requirements at each stage in an individual customer's life and of a wide range of lifestyles, JAPAN POST BANK offers more than just deposit services. In addition to investment trusts, the Bank provides a host of other financial services, including mortgage loans and credit cards. In this regard, consistently upgrading and expanding our lineup of financial products to ensure that we continuously meet changing customer needs while at the same time providing reliable, high-quality services that engender peace of mind is an immutable part of our DNA. At the same time, we work diligently to provide a level of quality that engenders peace of mind and the complete trust of our customers.



Contributing to the Development of Local Communities and Society at Large

 Utilizing the vast sums of postal savings to fund growth in essential social infrastructure remains the lifeblood of the Bank's efforts to contribute to the development of local communities and society at large. From the end of the Second World War through to the period of Japan's high economic growth, postal savings have served to drive the nation forward and to underpin national investment and loan programs. Moreover, postal savings have helped to fund public and other works, contributing significantly to improving people's lifestyles. While these investment and loan programs were discontinued in April 2001, JAPAN POST BANK is currently working to revitalize regional economies by investing in local government bonds and the activities of the Japan Finance Organization for Municipalities while promoting the use of the Bank's ATM network in conjunction with regional financial institutions and other initiatives.



ATM services were first offered.

1981

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

2003

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

2007



2009

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

2015

JAPAN POST BANK listed its shares on the First Section of the Tokyo Stock Exchange.

2001

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

1999

The euro was born.

1944

The Bretton Woods agreement concluded.

1985

The Plaza Accord concluded.

1997

The Asian financial crisis erupts

Our Business Model



Our Aspiration

Building on the trust of our customers that we have nurtured over many years, we remain committed to further improving enterprise value. In specific terms, we have positioned “Super Global” & “Super Regional” attributes at the heart of our business model. In other words, the Bank actively manages

Total Deposits

¥177 trillion

An Overwhelming Presence in Terms of Our Total Deposit Balance

As of March 31, 2015, Japan led the world in savings deposits with a total balance in excess of ¥800 trillion. Of this total, JAPAN POST BANK boasts the largest share with a total deposit balance of more than ¥177 trillion. This largely reflects the high esteem in which Bank is held as the nation’s long-standing premier financial institution.

Total Deposits by the Type of Financial Institution



- City Banks
- Regional Banks
- Second-Tier Regional Banks
- Trust Banks

Notes 1: Five city banks (Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, Resona Bank, Limited and Saitama Resona Bank, Limited), 64 regional banks, 41 second-tier regional banks (regional bank members of the Second Association of Regional Banks), four trust banks (Mitsubishi UFJ Trust and Banking Corporation, Mizuho Trust & Banking Co., Ltd., Sumitomo Mitsui Trust Bank, Limited and The Nomura Trust and Banking Co., Ltd.), Shinsei Bank, Limited and Aozora Bank, Ltd. for a total of 116 financial institutions are classified as national banks in Japan.

2: This tally is an estimate for all branches in Japan excluding special international financial transactions accounts.

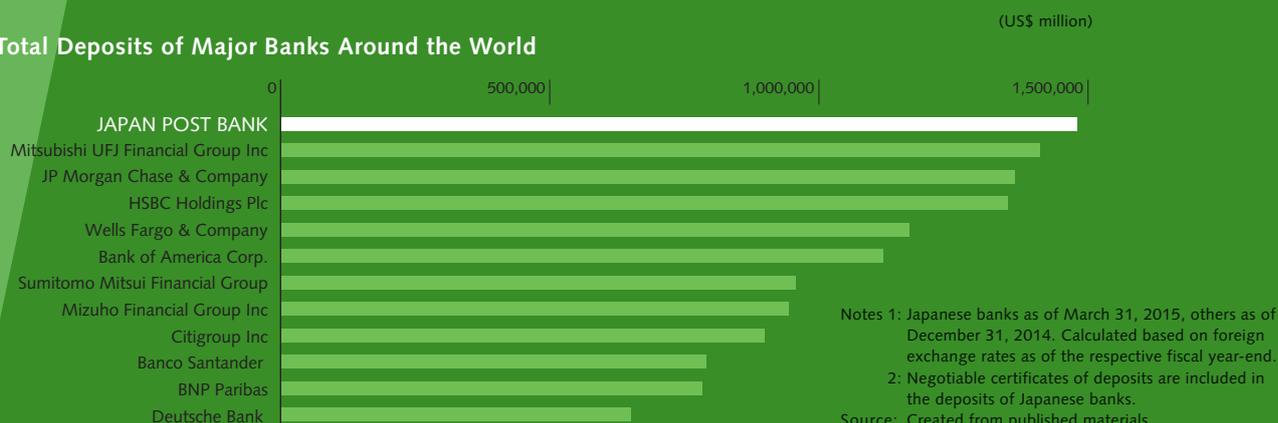
Source: Flash Report on the Balances of Deposits and Loans of National Banks in Japan issued by the Japanese Bankers Association

> Sales Channels

JAPAN POST BANK largely entrusts its operations to JAPAN POST Co., Ltd. and that company’s nationwide network of post offices. As of September 30, 2015, the Bank therefore provided its products and services through a nationwide network of 24,145 post offices and 27,244 ATMs far outstripping any other financial institution in Japan. These sales channels represent the Bank’s greatest strength and the business platform necessary for future growth.

Branches: 234
Post office network: 24,145
ATMs: 27,244

Total Deposits of Major Banks Around the World



assets on a global basis in the international financial market while seeking to generate higher returns, and takes a regional approach while utilizing the JAPAN POST Group's network of approximately 24,000 post offices across the country as a part of efforts to increase fee income.

Customers

> Products and Services

JAPAN POST BANK provides financial services to a wide range of generations, from young children to senior citizens. Moving forward, the Bank will increasingly focus on customers who frequently utilize these services. In addition to providing accounts from which customers are able to complete various transactions including the withdrawal of salaries and pensions, the Bank will place the utmost importance on promoting cross sales in a bid to establish a stable customer platform.

(For reference) Products used by customer segment

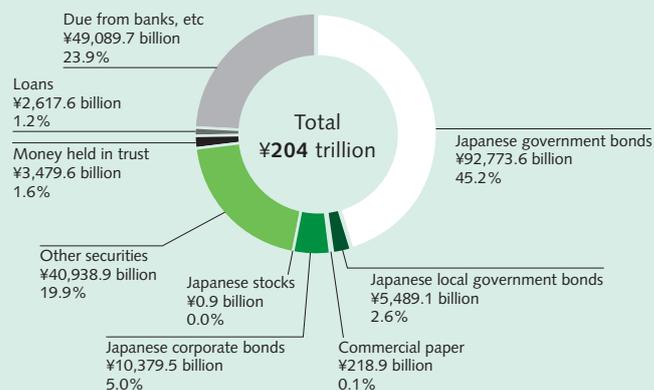
Segment	Products					
Youth	New account openings					
Workers	Salary accounts	Loans (Brokering)	Credit cards	Investment products (including NISAs)	Time/TEIGAKU deposits (including automatic accumulation types)	Automatic payment
Seniors	Pension accounts					

> Details of the Bank's Asset Management Activities

Based on an earnings structure that is heavily weighted toward interest income that is largely derived from investments in Japanese government bonds, JAPAN POST BANK is working diligently to spread its exposure and diversify the selection of revenue sources while continuing to closely monitor and control interest risk. In this manner, we are endeavoring to ensure stable periodic income. Guided by a refined risk management system, we are also striving to further strengthen profitability by aggressively building a satellite portfolio. This includes accelerating the pace of investment diversification around the world and expanding new investments mainly in our credit portfolio.

Asset Management Status

(As of September 30, 2015)



* "Other securities" consists of foreign securities.

** "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits, call loans, receivables under securities borrowing transactions, and monetary claims bought, etc.

Our Strengths

Improving Convenience and Boosting Sales Capabilities

A Highly Convenient Network in Japan

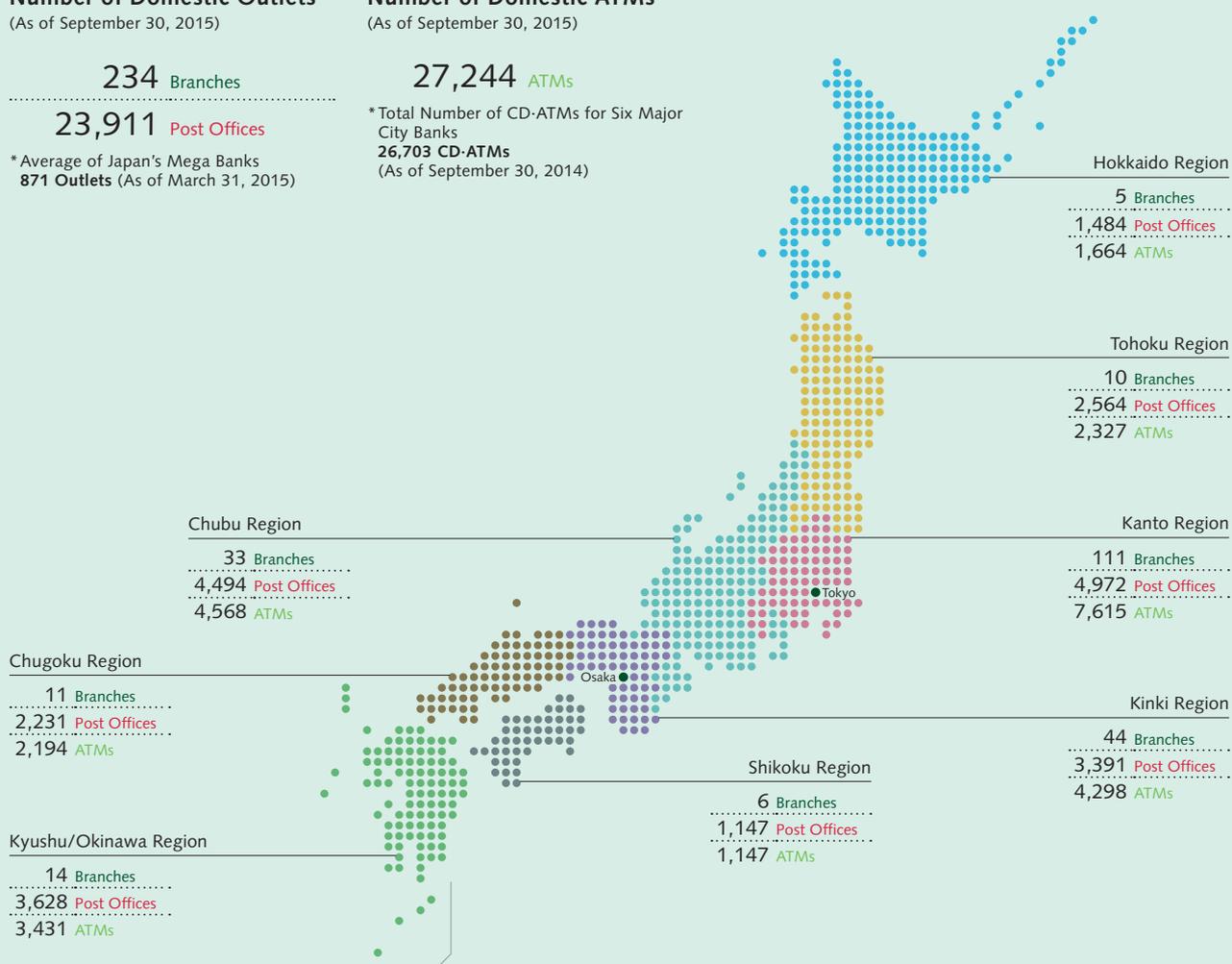
As of September 30, 2015, JAPAN POST BANK maintained a nationwide network of 234 branches and 27,244 ATMs. Operations were also conducted on an agency basis through the 24,145 post offices held by JAPAN POST Co., Ltd. As a result, the Bank's representation far exceeds the average number of outlets of the nation's three megabanks. Recognizing the comprehensive nature of its geographic coverage as a major inherent strength, the Bank is significantly contributing to customer convenience throughout Japan.

Number of Domestic Outlets (As of September 30, 2015)

234 Branches
23,911 Post Offices
 * Average of Japan's Mega Banks
871 Outlets (As of March 31, 2015)

Number of Domestic ATMs (As of September 30, 2015)

27,244 ATMs
 * Total Number of CD-ATMs for Six Major City Banks
26,703 CD-ATMs
 (As of September 30, 2014)

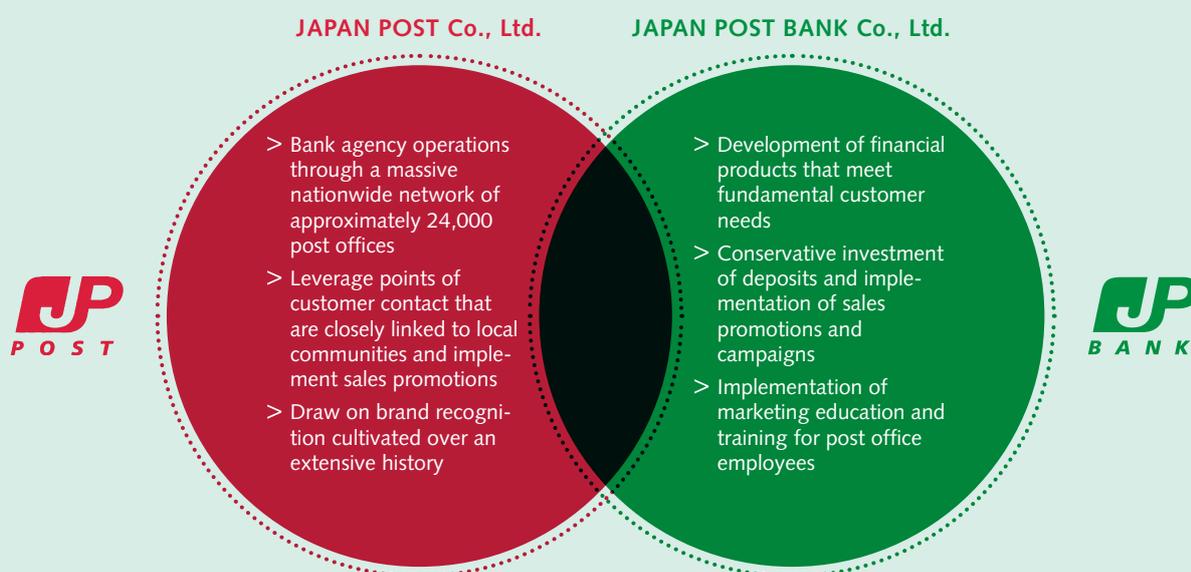


Notes: 1. Outlets = Branches + bank agency offices
 2. Japan's Mega Banks: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, and Mizuho Bank, Ltd.
 3. JAPAN POST BANK had 27,215 ATMs as of March 31, 2015.
 Sources: Created from published materials from each company.
 Japan Bankers Association official web site

Collaboration with Post Offices

Utilizing a nationwide network of 24,145 post offices as its principal sales channel, the Bank's partnership with JAPAN POST Co., Ltd. provides the underlying strength of its sales and marketing capabilities.

Serving as the Bank's main point of customer contact, the Bank harnesses the strengths of a post office sales force with close-knit ties to individual local communities and the ability to grasp the specific customer needs of each region. As a result, post offices account for more than 90% of deposits collected from customers nationwide. Meanwhile, JAPAN POST BANK works diligently to increase earnings by developing a raft of innovative financial products and conducting sales promotions. Working through the nationwide network of post offices of JAPAN POST, the Bank is expanding the number of new customers through the sale of financial products while increasing the frequency of existing customer use. Through these means, every effort is being made to boost sales capabilities by making the most of the mutual strengths of both the Bank and post offices.



FOCUS

Internet Banking

JAPAN POST BANK operates JAPAN POST BANK Direct, an Internet banking service that allows customers to access a variety of integrated, transfer and other accounts from the comfort of their homes as well as outdoors.

In June 2014, the Bank began providing one-time password tokens free of charge to customers, who utilize JAPAN POST BANK Direct online banking services. More recently, in September 2015, the Bank took steps to revamp its Internet banking service. Among a host of new initiatives aimed at strengthening security, all money transfers and settlements are

now protected on a one-time password authorization basis. In this manner, we are endeavoring to further improve the integrity and safety of our online systems.



Token

Enhancing the Convenience of ATM Services

JAPAN POST BANK boasts a nationwide network of 27,244 ATMs. This is the largest network of any financial institution in Japan. Through a series of collaborative arrangements, customers are also able to utilize cash cards issued by regional financial institutions at the Bank's ATMs, significantly increasing access to its products and services. In this manner, every effort is being made to enhance the convenience of regional society.

Taking into consideration the needs of the visually impaired, all of the Bank's ATMs are braille-enabled. Moreover, the Bank's terminals are equipped with finger vein biometric authentication in order to bolster security and prevent fraud.

Working to further enhance customer convenience, JAPAN POST BANK is actively promoting the strategic placement of stand-alone ATMs in high traffic areas including locations in close proximity to railway stations and inside shopping malls. As a part of these efforts, the Bank installed ATMs in approximately 500 of the convenience stores operated by the nationwide FamilyMart chain during the fiscal year ended March 31, 2015.



Rolling Out Financial Services That Address Customer Needs

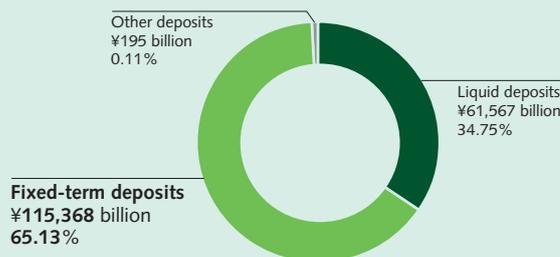
Savings Services That Instill a High Level of Confidence

JAPAN POST BANK offers a unique brand of TEIGAKU deposit, which allows depositors to withdraw money at any time after six months from the placement of funds. Moreover, the effective interest rate on each deposit changes on a progressive half-yearly basis up to a period of three years and increases on a cumulative staircase basis every six months for a period of 10 years. TEIGAKU deposits have attracted the support of customers over many years as a means of steadily building assets while retaining a high level of flexibility.

As indicated in the graph, the ratio of the Bank's time and savings deposits to its balance of total savings accounts far exceeds those of Japan's three megabanks. This reflects the high esteem in which JAPAN POST BANK is held, especially from a long-term perspective, and is a major strength in the Bank's ability to secure stable funds for investment.

Balances by Type of Deposit

(As of September 30, 2015)
Ending Balances



Strengthening Investment Trust Sales

JAPAN POST BANK is upgrading and expanding its lineup of over-the-counter investment trust products as a part of efforts to address the increasingly diverse asset management needs of customers and to respond to the introduction of tax-free Nippon Individual Saving Accounts (NISA) for individual investors. As of April 2015, the number of products handled by the Bank surpassed 100. More than at any time in its history, JAPAN POST BANK has positioned itself to provide its customers with solutions that match each individual life plan and need. At the same time, we are working to foster

and increase the number of financial consultants (FCs) in order to further enhance our sales capabilities. JAPAN POST BANK had fostered around 1,000 FCs at directly operated branches as of March 31, 2015. Recognizing the need to expand this number and to assign FCs across the JAPAN POST Group's network of post offices, the Bank is looking to boost its development and training activities while strengthening consulting marketing that accurately addresses the asset management needs of customers.

JAPAN POST BANK's Strategy

Expanding Total Assets under Custody and Fee Businesses

As a part of its overall sales and marketing strategy, JAPAN POST BANK works diligently to grow the balance of assets under management by building a stable customer platform. While deposits have to date made up a large part of our assets, we will place additional emphasis on sales of various investment products including investment trusts and variable annuity insurance as a part of efforts to lift the total balance of assets under management going forward. In order to achieve these endeavors, JAPAN POST BANK will promote the use of products that match each stage of the Bank's customer life cycle and pursue sales strategies in line with each customer's transactions. Through these means, we will grow the balance

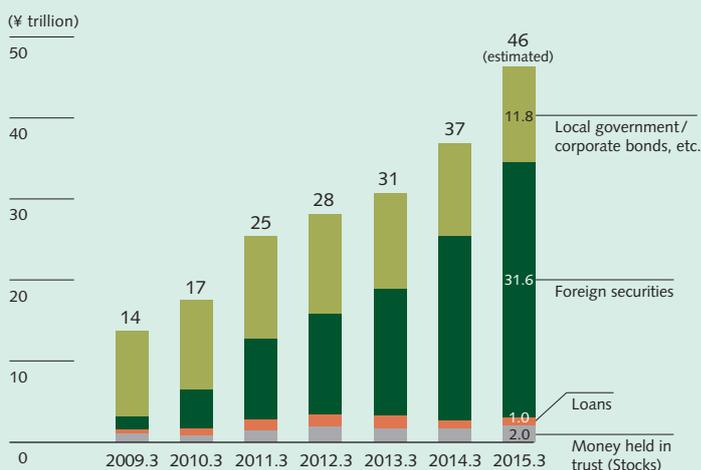
of deposits by ¥3 trillion and the net balance of investment products by ¥1 trillion within a period of three years by strengthening consulting marketing and other activities.

Furthermore, in addition to expanding the aforementioned net balance of investment products, JAPAN POST BANK is strategically rolling out ATMs. In the credit card business, the Bank is also promoting the use of its credit card as the main card to the younger generation while upgrading and expanding gold card services. At the same time, we are encouraging heavy users of general cards to replace them with our gold card. Through these means, we are working to increase net fees and commissions.

Strengthening the Bank's Market Investment Structure while Diversifying Investments

Working under a stable funding structure while at the same time maintaining its focus on investments in Japanese government bonds, JAPAN POST BANK is endeavoring to boost investment income. To this end, the Bank is looking to diversify and further enhance the sophistication of its market investments in line with efforts to bolster risk management. In addition to actively promoting the introduction of highly skilled external human resources, the Bank is positioning these external recruits at the heart of efforts to restructure its organization on an individual asset basis. Complementing steps to further expand investment areas, the Bank is also working to strengthen its investment structure by newly establishing the Risk Management Division, which works in sync with the market investment team. Through these means, JAPAN POST BANK is accelerating the pace of global asset allocation under a process of prudent risk management with the aim of increasing the balance of its satellite portfolio to ¥60 trillion by the end of March 31, 2018.

Breakdown of the Satellite Portfolio



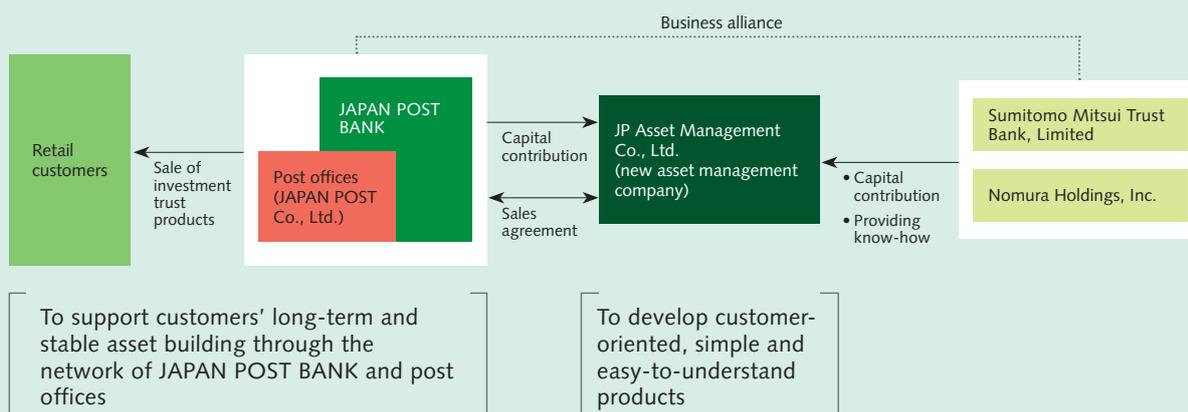
Joint Establishment of JP Asset Management Co., Ltd., a New Asset Management Company

JAPAN POST BANK concluded a business alliance agreement with Sumitomo Mitsui Trust Bank, Limited and Nomura Holdings, Inc. to jointly establish JP Asset Management Co., Ltd.*, a new asset management company, in July 2015. Building on the expertise and know-how of both Sumitomo Mitsui Trust Bank and Nomura Holdings in the asset management field, as well as the ability of JAPAN POST BANK and JAPAN POST to directly grasp the specific needs of retail customers all over Japan, the newly established company will engage in a wide range of activities including the development of investment trust products.

As a result, JP Asset Management Co., Ltd. is charged with the responsibility of promptly providing simple and easy-to-understand customer-centric products that match customer needs through the respective networks of both JAPAN POST BANK and JAPAN POST and to support customers in their efforts to build assets on a long-term and stable basis.

* Sumitomo Mitsui Trust Bank, Limited and Nomura Holdings, Inc. jointly established SNJ Preparatory Co., Ltd. in August 2015. Thereafter, JAPAN POST BANK and JAPAN POST took an equity interest in SNJ Preparatory Co., Ltd. and the company's name was changed to JP Asset Management Co., Ltd. in November 2015.

Description of Business Flow



Corporate Governance

As of January 1, 2016

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

Governance System

Management Supervision

Shareholders' Meeting

Board of Directors

The JAPAN POST BANK Board of Directors has 12 members. Three of the directors also serve as Executive Officers, and the other eight 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.

Nomination Committee

Members

Taizou Nishimuro **Yoshifumi Iwasaki** **Yoshizumi Nezu**
Chairman

Audit Committee

Members

Tomoyoshi Arita **Sawako Nohara** **Tetsu Machida** **Yoshihiro Tsuboi** **Katsuaki Ikeda**
Chairman

Audit Committee Office

Compensation Committee

Members

Taizou Nishimuro **Yoshifumi Iwasaki** **Yoshizumi Nezu**
Chairman

Business Management and Operational Execution

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

Representative Executive Officer (President & CEO)

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.

Executive Committee

The Executive Committee, which was established as an advisory body to the Representative Executive Officer (President & CEO), holds discussions regarding important business execution matters.

The Compliance Committee, the Risk Management Committee, the Asset Liability Management (ALM) Committee, the Corporate Social Responsibility (CSR) Committee, and the Information Disclosure Committee assist the Executive Committee in matters requiring specialized discussions.

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.

Information Disclosure Committee

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

Internal Control Committee

The Internal Control Committee, which was established as an advisory body to the Representative Executive Officer (President & CEO), holds discussions regarding legal, regulatory, and other compliance-related issues as well as other important internal control matters.

Internal Audit Division

Audit

Compliance Division

Corporate Administration Division

Risk Management Division

Corporate Service Division

Investment Division

Marketing Division

Regional Headquarters, Branches

Board of Directors and Executive Officers

As of December 1, 2015



Front row, from left: Nobuko Akashi, Tomoyoshi Arita, Masatsugu Nagato, Taizo Nishimuro, Sawako Nohara
Rear row, from left: Susumu Tanaka, Toshihiro Tsuboi, Yoshizumi Nezu, Yoshifumi Iwasaki, Tetsu Machida, Katsuaki Ikeda, Tomohisa Mase

Board of Directors

President and Representative Executive Officer

Masatsugu Nagato

Masatsugu Nagato assumed the position of Director, President and Representative Executive Officer of JAPAN POST BANK in May 2015. Mr. Nagato also currently serves as Director of JAPAN POST HOLDINGS since June 2015. His prior experience includes serving as Director and Chairman of Citibank Japan Ltd. Mr. Nagato also served as Representative Director & Deputy President of Fuji Heavy Industries Ltd. and as Managing Executive Officer of Mizuho Corporate Bank.

Representative Executive Vice President

Susumu Tanaka

Susumu Tanaka assumed the position of Director and Representative Executive Vice President of JAPAN POST BANK in March 2015. Mr. Tanaka also currently serves as Managing Executive Officer of JAPAN POST HOLDINGS, a position that he has held since October 2010. Mr. Tanaka first joined the Ministry of Posts and Telecommunications (currently the Ministry of Internal Affairs and Communications) in April 1982. His prior experience includes working as Director and Executive Vice President of JAPAN POST BANK and as Senior Managing Executive Officer of JAPAN POST BANK, and as General Manager of the Corporate Planning Department, Corporate Administration Division of JAPAN POST BANK and as Managing Executive Officer of JAPAN POST BANK.

Executive Vice President

Tomohisa Mase

Tomohisa Mase assumed the position of Director and Executive Vice President of JAPAN POST BANK in June 2015. Mr. Mase first joined the Ministry of Posts and Telecommunications (currently the Ministry of Internal Affairs and Communications) in April 1965. He previously served as Executive Vice President of JAPAN POST BANK and as Senior Managing Executive Officer of JAPAN POST HOLDINGS. He also served as Managing Executive Officer of JAPAN POST HOLDINGS and as Senior Managing Executive Officer of JAPAN POST BANK.

Director

Taizo Nishimuro

Taizo Nishimuro assumed the position of Director of JAPAN POST BANK in May 2015. Mr. Nishimuro also currently serves as Director of JAPAN POST INSURANCE and as Director of JAPAN POST Co., and as Director, Representative Executive Officer, President and CEO of JAPAN POST HOLDINGS, each of which are positions that he has held since June 2013. He also currently serves as Advisor of Toshiba Corporation, a position he has held since June 2005. His prior experience includes serving as Director, President and Representative Executive Officer of JAPAN POST BANK. Mr. Nishimuro also served as Chairman of Japan Postal Privatization Committee and as chairman of the board of directors of Tokyo Stock Exchange Group, Inc. (currently Japan Exchange Group, Inc.) and as chairman of the board of directors of Tokyo Stock Exchange, Inc.

Outside Director

Tomoyoshi Arita

Tomoyoshi Arita assumed the position of Outside Director of JAPAN POST BANK in June 2010. His prior experience includes serving as Superintending Prosecutor of Fukuoka High Public Prosecutors Office and as General Manager of the Public Securities Department, Supreme Public Prosecutors Office. Mr. Arita also served as Public Prosecutor, Supreme Public Prosecutors Office. Mr. Arita has been registered with the Japan Federation of Bar Associations.

Outside Director

Yoshizumi Nezu

Yoshizumi Nezu assumed the position of Outside Director of JAPAN POST BANK in June 2014. Mr. Nezu also serves as President and Representative Director of Tobu Railway Co., Ltd., a position that he has held since June 1999. His prior experience includes serving as Vice President and Director, Senior Managing Director and Managing Director of Tobu Railway Co., Ltd.

Outside Director

Tetsu Machida

Tetsu Machida assumed the position of Outside Director of JAPAN POST BANK in June 2014. Mr. Machida has been an independent economic journalist since January 2004. His prior experience includes working at Nikkei Inc. and Sentaku Shuppan K.K.

Outside Director

Toshihiro Tsuboi

Toshihiro Tsuboi assumed the position of Outside Director of JAPAN POST BANK in June 2015. Mr. Tsuboi first joined the Ministry of Posts and Telecommunications (currently the Ministry of Internal Affairs and Communications) in April 1978. His prior experience includes serving as Representative Director, Vice President & Executive Vice President of JAPAN POST Co., Ltd. and as Managing Executive Officer of JAPAN POST HOLDINGS. He also previously served as Senior Managing Executive Officer of JAPAN POST and as Managing Executive Officer of JAPAN POST NETWORK.

Outside Director

Yoshifumi Iwasaki

Yoshifumi Iwasaki assumed the position of Outside Director of JAPAN POST BANK in June 2014. His prior experience includes serving as Chairman, Professional Proxy and Auditor, Board of Governor of Japan Broadcasting Corporation (also known as Nippon Hoso Kyokai, or NHK). Mr. Iwasaki also served as President of Mitsui Real Estate Sales Co., Ltd. (currently Mitsui Fudosan Realty Co., Ltd.), and as Group Senior Executive Officer at Mitsui Fudosan Group.

Outside Director

Sawako Nohara

Sawako Nohara assumed the position of Outside Director of JAPAN POST BANK in June 2014. Ms. Nohara also currently serves as Outside Director of NKSJ Holdings (currently Sampo Japan Nipponkoa Holdings), a position that she held since June 2013, and as Project professor at Keio University Graduate School of Media and Governance since November 2009. In addition, Ms. Nohara has served as President and CEO of IPSe Marketing, Inc., a position she has held since December 2001. Ms. Nohara previously served as Outside Auditor of Sampo Japan Insurance Inc. (currently Sampo Japan Nipponkoa Insurance Inc.). She also served as Outside Director of NEC Corporation and as Director of IPSe Marketing, Y.K.

Outside Director

Nobuko Akashi

Nobuko Akashi assumed the position of Outside Director of JAPAN POST BANK in June 2015. Ms. Akashi also currently serves as board chairman of a non-profit organization, Japan Manners & Protocol Association since December 2012. She also holds positions as a board chairman of a General Incorporated Foundations, Nippon Kyoiku Saisei Kiko since June 2010, of a director of a General Incorporated Foundations, Hotel Barmen's Association, Japan since June 2006 and as a Representative Director of Buraiton Y.K. since November 1996. She previously served as Chairman and Secretary General of Japan Manners & Protocol Association.

Outside Director

Katsuaki Ikeda

Katsuaki Ikeda assumed the position of Outside Director of JAPAN POST BANK in August 2015. Mr. Ikeda's prior experience includes serving as Corporate Auditor and Director and Executive Officer of MS&AD Insurance Group Holdings, Inc. and Director and Senior Executive Officer of Mitsui Sumitomo Insurance Company, Limited.

Executive Officers

President and Representative Executive Officer

Masatsugu Nagato

Representative Executive Vice President

Susumu Tanaka

Executive Vice Presidents

Tomohisa Mase

Katsunori Sago

Senior Managing Executive Officers

Masahiro Murashima

Hiroshi Yamada

Managing Executive Officers

Riki Mukai

Hiroichi Shishimi

Yasuyuki Hori

Masahiro Nishimori

Masaya Aida

Executive Officers

Yoko Makino

Kunihiko Amaha

Yoichi Uno

Harumi Yano

Makoto Shinmura

Suzunori Hayashi

Satoru Ogata

Minoru Kotouda

Fujie Kawasaki

Toshiharu Ono

Shigeyuki Sakurai

Masatoshi Ishii

Internal Auditing

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

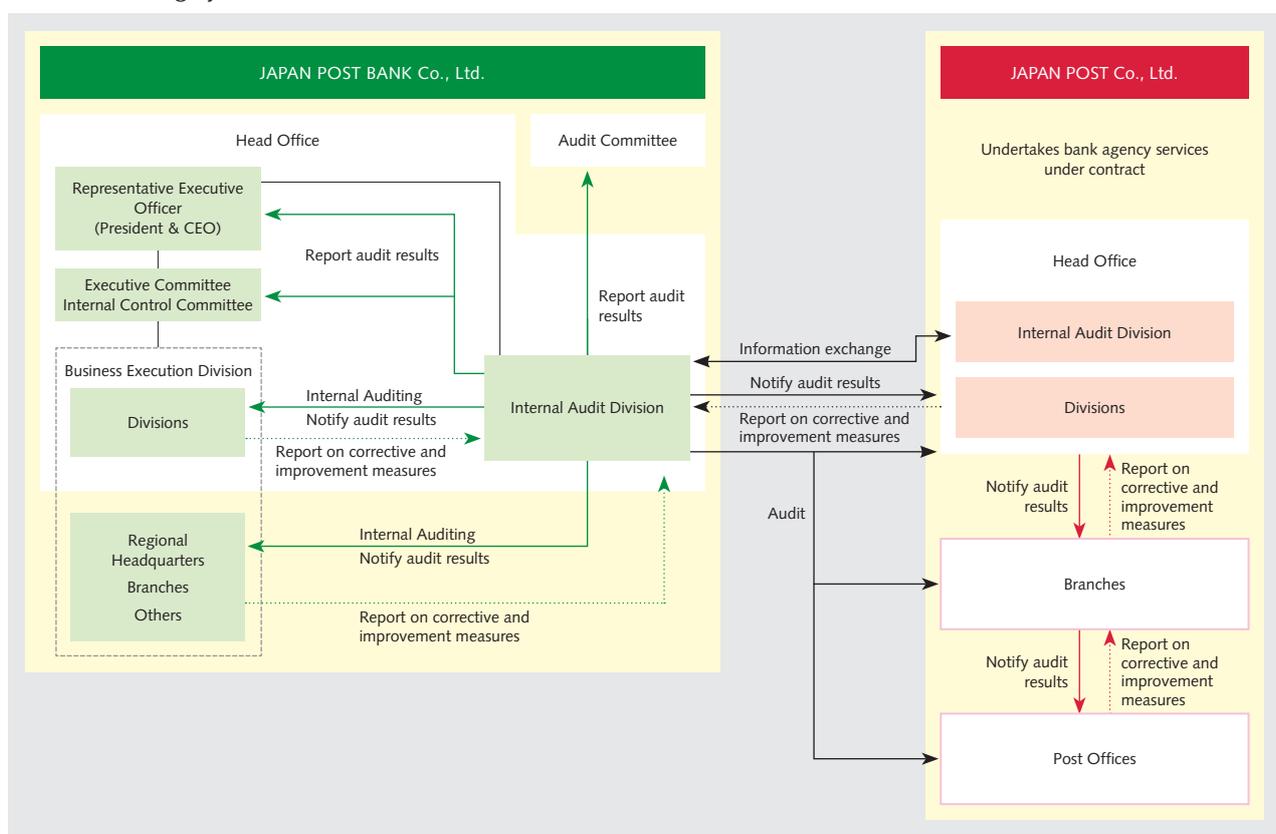
The Internal Audit Division conducts audits of the head office divisions (including overseas representative offices), Regional Headquarters, Branches, Administration Service Centers, Operation Support Centers, Seal Card Management Center, ATM Management Centers, Data Centers, Credit Card Collection Service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

appropriateness and effectiveness of operational execution and internal control systems, including compliance and risk management.

In addition, the Internal Audit Division audits JAPAN POST 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.

Internal Auditing System



Risk Management

As of January 1, 2016

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

Our basic policy is to appropriately manage risks in view of our management

strategies and risk characteristics and most effectively utilize our capital. By doing so, we are able to increase enterprise value while maintaining sound finances and appropriate operations.

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

Risk Categories and Definitions

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

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

Risk Management System

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

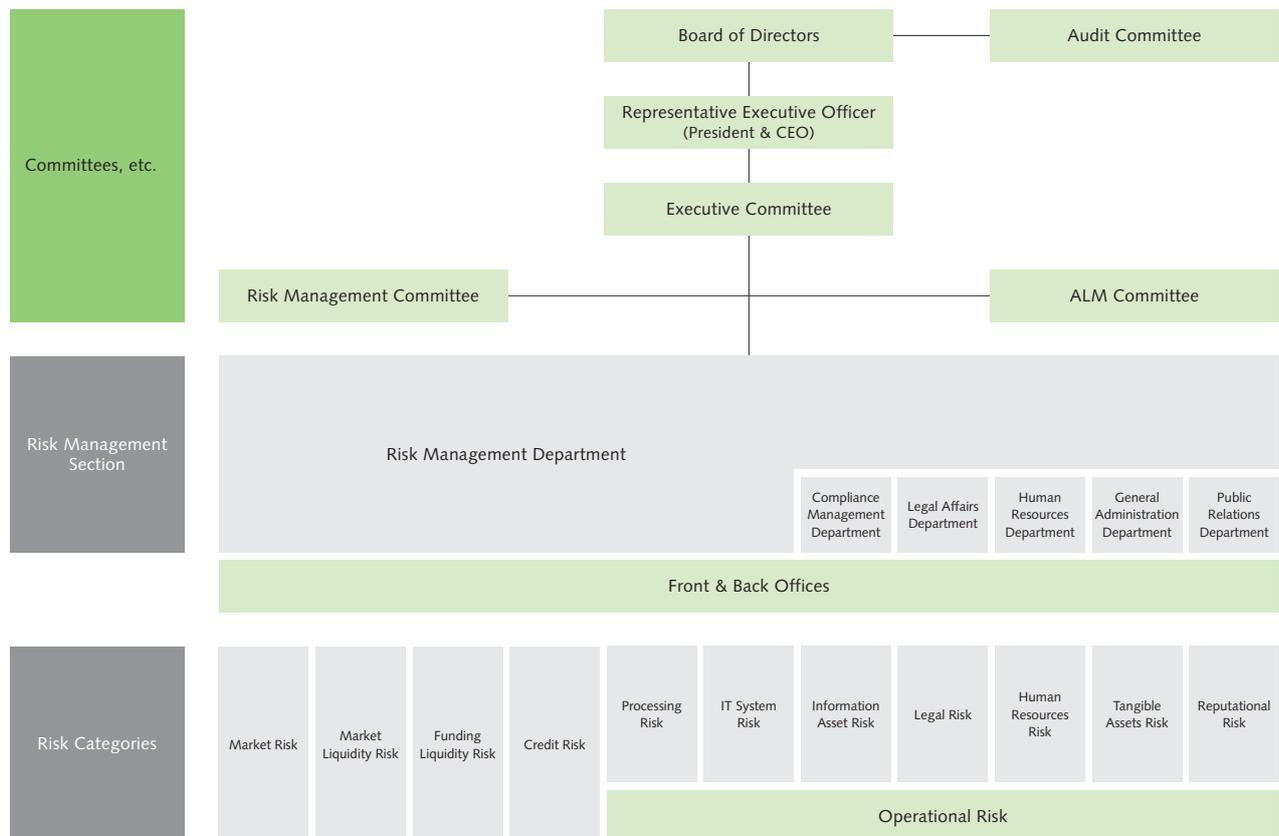
We have established special advisory committees to the Executive Committee to handle risk management responsibilities: the

Risk Management Committee and the ALM Committee. These advisory committees submit risk management reports based on risk characteristics and hold discussions about risk management policies and systems.

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

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

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.

Capital adequacy standards are 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 the market discipline that allows for the assessment of the market through appropriate disclosures. We are required to comply with all capital adequacy standard provisions. 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 III. As of September 30, 2015, our capital adequacy ratio was 30.45%, which exceeded the minimum requirement (4% under the domestic standard).

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

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

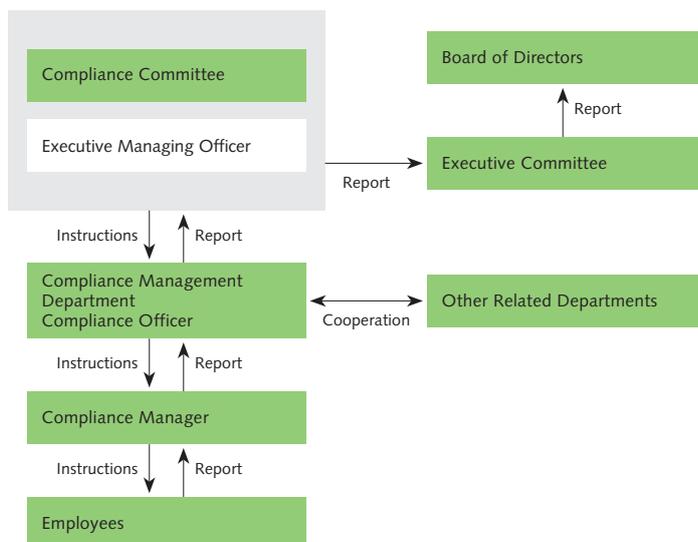
Every year the Bank formulates the Compliance Program, which serves as a detailed action plan for the promotion of compliance. With this program, the Bank rigorously implements compliance-related initiatives and conducts training for employees.

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)

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 local communities; and protecting the environment.

Activities Addressing JAPAN POST BANK CSR Priority Issues

Category	Main Activities
Offering Accessible Services to Everyone	<ul style="list-style-type: none"> • Provision of services using Braille • Hooks on which visually impaired can place their canes (at counters and ATMs inside branches), placement of wheelchairs • Barrier-free facilities (installation of ramps, braille walkway blocks) • Employee-Friendly Workplaces, etc.
Contributing to Society and Local Communities	<ul style="list-style-type: none"> • JAPAN POST BANK Original Piggy Bank Design Contest • Training for those supporting dementia sufferers • JAPAN POST BANK Volunteer Savings • Financial education • Sponsorship of all-Japan soccer tournaments, go tournaments, etc.
Protecting the Environment	<ul style="list-style-type: none"> • Promotion of energy saving, etc.

Offering Accessible Services to Everyone

Offering Accessible Services to Everyone

We strive to provide products and services that fully satisfy the needs of all our customers, including senior citizens and people who are physically challenged. Examples include a pension delivery service for senior citizens and Braille services for the visually impaired.

As a part of efforts to offer accessible services to everyone, our ATMs in particular provide the following features.



Braille Guidance and Braille Displays
To ensure that visually impaired customers have access to the Bank's services, our ATMs provide instructions and display transaction amounts via the Braille system of small raised dots.

Telephone (Handset)
ATMs are also equipped with a handset and voice guidance system to provide customers with operating instructions and other assistance.

Earphone Jack
In addition to the above, our ATMs enable customers to use their personal earphones via an earphone jack to receive verbal instructions as well as other assistance.

Barrier-Free Facilities

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



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

Contributing to Society and Local Communities

JAPAN POST BANK is actively engaged in a host of social contribution activities. In addition to offering money transfers for natural disaster relief donations and handling emergency deposits, the Bank provides trained volunteers for customers suffering from dementia. As a bank that is deeply rooted in the local community, we take part in clean-up activities and local events including those in areas surrounding each branch. Furthermore, the Bank produces post cards featuring illustrations by artists with disabilities and hand these to customers.

As a part of the Bank's financial education activities, we hold an original nationwide piggy bank design contest for elementary schools students. In order to support the leaders of tomorrow's society, we also provide special assistance to the Competition of Junior Honinbo, in which children of junior high school age or younger compete for the top amateur go position in Japan, and help organize the Japan U-12 Football Championship for elementary school students.

Protecting the Environment

Putting into Practice the JAPAN POST BANK Environmental Policy

The JAPAN POST GROUP has identified global warming, sustainable forests and the effective use of resources as the three key environmental issues that it should address.

For our part, we have put in place the JAPAN POST BANK Environmental Policy with the basic principle of engaging in activities that recognize the importance of protecting the environment. Guided by this Policy, it is our overarching goal to pass on the Earth's precious natural environment to future generations. To this end, we actively push forward efforts to ensure the efficient use of energy as well as the "JP Forest" Creation and other initiatives.

"JP Forest" Creation

As one of the CSR activities undertaken by the JAPAN POST GROUP, the Bank has identified the JP Forest initiatives in a bid to promote the sustainable development of forests. Directors and employees of Group companies take part voluntarily in collaboration with NPOs and other organizations to plant and nurture trees throughout local and regional communities. These forestry activities were held on two occasions during the fiscal year ended March 2015, involving around 100 Group employees and their families.



Promoting the development of sustainable forests through the JP Forest Creation initiative.

Employee-Friendly Workplaces

Initiatives Aimed at Upgrading and Expanding Human Resource Development

JAPAN POST BANK has positioned the development of human resources as a key management priority. We are aiming to generate synergies while engaging in development activities that combine classroom seminars with on-the-job (OJT) training. Particularly, the Bank is working to upgrade and expand various leadership programs in order to further enhance each employee's practical skills and capabilities by gearing up its OJT stance and setting up its mentor program with an eye to each employee's progress and personal career development.

We also conduct training at each employee promotion level to ensure that he or she possesses the skills required to carry out assigned tasks while managing other personnel. We conduct position-specific training in an effort to improve the expertise of employees assigned to various departments within the organization. Furthermore, we promote self-education systems including online learning and correspondence courses while providing financial support that partly covers the expenses incurred when acquiring qualifications. In this manner, we are working on an overall strengthening of our human resources.

Each year, we dispatch large numbers of employees to other companies in Japan and overseas for training purposes and to postgraduate tertiary institutions as well as business schools. Therefore, we make every effort to provide our employees with opportunities to fulfill their ambitions.

Putting in Place Employee-Friendly Workplaces

JAPAN POST BANK implements a raft of measures to promote increased awareness of workplace issues and a corporate culture that allows employees to take a positive approach to their work and private lives while demonstrating their abilities to the fullest extent.

Measures Aimed at Promoting Work-Life Balance

Each employee's working life is made up of stages. We therefore provide staff with diverse workstyle options. We encourage employees to take planned leave as well as Refresh Days, where employees finish work during regular business hours twice a week. We also conduct various seminars. By increasing variety, we are improving productivity and generating added value.

We have support systems in place that are flexible and readily available. Not only exceeding the standards of the Child Care and Family Care Leave Law, these systems ensure that employees can balance their childcare and nursing care responsibilities while excelling in the workplace. Examples include a system of reduced working hours and an hourly basis leave system. With these support systems, the Bank's male and female employees are able to carry out their duties while attending to family needs.

Supporting the nurturing of children, we have received the Kurumin next generation accreditation mark authorized by Japan's Ministry of Health, Labour and Welfare.

Promoting Diversity

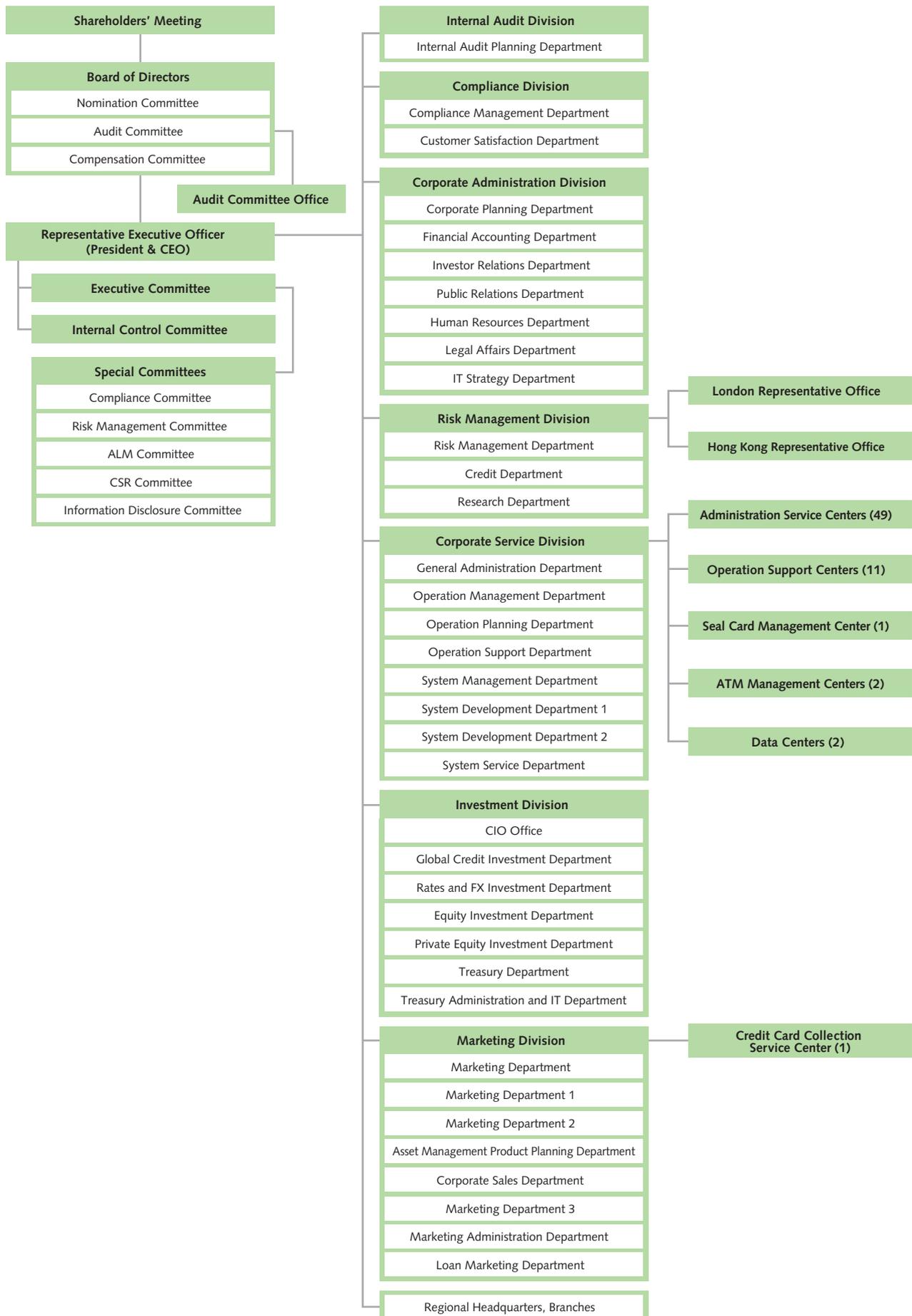
JAPAN POST BANK works diligently to promote and fully utilize a diverse pool of human resources in an effort to further enhance the Bank's corporate value. We therefore realize that actively promoting women in the workforce is essential to achieving this goal and make every effort to create a workplace environment in which all employees can excel irrespective of gender, and to develop human resources.

We have set up project teams in each region throughout Japan for the express purpose of promoting women and are pushing forward a variety of support measures that include seminars that help to develop the careers and fuel the ambitions of our female employees.

In addition, the Bank is also working to create a workplace environment in which people with disabilities can actively participate as a part of efforts to promote the employment of people with disabilities. As a part of these endeavors, we established the JAPAN POST BANK ARIGATO Center.

Organization

As of January 1, 2016



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

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

RESULTS OF OPERATIONS

The following table presents information as to our income, expenses and net income for the years ended March 31, 2014 and 2015 and the six months ended September 30, 2014 and 2015.

	Billions of yen			
	For the six months ended September 30,		For the year ended March 31,	
	2015	2014	2015	2014
Interest income	¥881.8	¥949.4	¥1,893.2	¥1,827.6
Interest expenses	187.0	176.5	356.7	361.7
Net interest income	694.8	772.8	1,536.4	1,465.8
Fees and commissions income	63.1	59.7	119.4	121.1
Fees and commissions expenses	16.1	15.1	30.1	28.4
Net fees and commissions	46.9	44.5	89.2	92.6
Other operating income	14.0	0.1	10.8	20.4
Other operating expenses	0.9	0.3	6.0	14.7
Net other operating income (loss)	13.1	(0.2)	4.7	5.7
General and administrative expenses	530.5	564.6	1,113.6	1,095.0
Other income	28.0	24.6	57.6	107.1
Other expenses	1.4	1.7	3.4	12.0
Income before income taxes	250.9	275.4	571.0	564.4
Income taxes—current	84.5	86.7	182.6	187.8
Income taxes—deferred	(5.1)	6.9	18.9	21.9
Net income	¥171.5	¥181.7	¥ 369.4	¥ 354.6

Six Months Ended September 30, 2015 Compared to Six Months Ended September 30, 2014 Net Interest Income

Interest Income

Our total interest income decreased by ¥67.5 billion, or 7.1%, from ¥949.4 billion for the six months ended September 30, 2014 to ¥881.8 billion for the six months ended September 30, 2015. Our interest and dividends on securities decreased by ¥72.8 billion, or 7.9%, to ¥844.9 billion for the six months ended September 30, 2015, reflecting a decline in the yield. Our interest on loans decreased by ¥2.8 billion, or 17.9%, to ¥13.2 billion in the six months ended September 30, 2015.

Interest Expenses

Our total interest expenses increased by ¥10.4 billion, or 5.8%, from ¥176.5 billion for the six months ended September 30, 2014 to ¥187.0 billion for the six months ended September 30, 2015, primarily due to increases in interest on payables under securities lending transactions and interest rate swaps as a result of increases in the amount of payables under securities lending transactions for foreign currency funding purposes and currency swaps for hedging purposes, as well as fluctuating foreign exchange rates, which offset the decrease in interest on deposits. Interest expenses on deposits decreased by ¥3.4 billion, or 2.8%, to ¥118.2 billion for the six months ended September 30, 2015.

Net Interest Income

Our net interest income calculated by deducting interest expenses from interest income decreased by ¥77.9 billion, or 10.0%, from ¥772.8 billion for the six months ended September 30, 2014 to ¥694.8 billion for the six months ended September 30, 2015. Our interest rate spread was 0.68% for the six months ended September 30, 2015, a decrease from 0.77% for the six months ended September 30, 2014.

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

The following table shows our average asset balances and related interest and average earnings yields of our interest-earning assets for the six months ended September 30, 2014 and 2015. Although we do not have any overseas branches or subsidiaries that have head offices located overseas, or overseas subsidiaries, since our operations are not divided into reportable segments, we attribute yen-denominated transactions to "domestic" and foreign currency-denominated transactions in "overseas" (except that yen-denominated transactions with non-residents of Japan are included in "overseas") and record income and expenses for each category. Accordingly, the table below shows the average asset balances and interest for "domestic" and "overseas" for the periods indicated.

	Billions of yen, except for percentages					
	For the six months ended September 30,					
	2015			2014		
	Average asset balance ⁽⁴⁾	Interest	Average earnings yield ⁽⁵⁾	Average asset balance ⁽⁴⁾	Interest	Average earnings yield ⁽⁵⁾
Interest-earning assets:⁽¹⁾						
Loans:						
Domestic	¥ 2,729.1	¥ 13.2	0.96%	¥ 3,043.2	¥ 16.1	1.05%
Overseas	1.9	0.0	0.45	—	—	—
Total ⁽²⁾	2,731.0	13.2	0.96	3,043.2	16.1	1.05
Securities:						
Domestic	116,727.3	584.4	0.99	138,744.3	692.2	0.99
Overseas	36,599.9	260.5	1.41	24,332.6	225.5	1.84
Total ⁽²⁾	153,327.3	844.9	1.09	163,076.9	917.8	1.12
Due from banks, etc.: ⁽³⁾						
Domestic	34,831.6	16.7	0.09	21,807.4	10.2	0.09
Overseas	1,042.5	2.5	0.48	1,081.5	1.4	0.26
Total ⁽²⁾	35,874.2	19.2	0.10	22,888.9	11.6	0.10
Total interest-earning assets:						
Domestic	192,047.9	675.3	0.70	191,735.1	761.3	0.79
Overseas	37,700.3	263.1	1.39	25,448.8	227.0	1.77
Total ⁽²⁾	¥200,599.1	¥881.8	0.87%	¥196,389.9	¥949.4	0.96%

Notes: (1) Income earned on money held in trust is included in "other income," and the average balance of money held in trust (¥2,349.9 billion for the six months ended September 30, 2015 and ¥2,269.6 billion for the six months ended September 30, 2014) is excluded from interest-earning assets.

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

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

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

(5) Average earnings yield is annualized.

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

The following table shows the average balances and related interest and average interest rates of our interest-bearing liabilities for the six months ended September 30, 2014 and 2015.

	Billions of yen, except for percentages					
	For the six months ended September 30,					
	2015			2014		
	Average liability balance ⁽⁵⁾	Interest	Average interest rate ⁽⁴⁾	Average liability balance ⁽⁵⁾	Interest	Average interest rate ⁽⁴⁾
Interest-bearing liabilities:⁽¹⁾						
Deposits:						
Domestic	¥177,712.3	¥118.2	0.13%	¥177,022.4	¥121.6	0.13%
Overseas	—	—	—	—	—	—
Total ⁽²⁾	177,712.3	118.2	0.13	177,022.4	121.6	0.13
Total interest-bearing liabilities:						
Domestic	184,096.6	138.8	0.15	182,424.5	141.4	0.15
Overseas	34,859.7	100.1	0.57	23,852.1	69.8	0.58
Total ⁽²⁾	¥189,807.2	¥182.4	0.19%	¥185,482.6	¥172.3	0.18%

Notes: (1) Expenses incurred on money held in trust are included in "other expenses," and the average balance corresponding to money held in trust (¥2,349.9 billion for the six months ended September 30, 2015 and ¥2,269.6 billion for the six months ended September 30, 2014) and the interest expenses (¥4.5 billion for the six months ended September 30, 2015 and ¥4.2 billion for the six months ended September 30, 2014) are excluded from the interest-bearing liabilities.

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

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

(4) Average interest rate is annualized.

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

Our average balance of interest-earning assets increased by ¥4,209.2 billion, or 2.1%, from ¥196,389.9 billion for the six months ended September 30, 2014 to ¥200,599.1 billion for the six months ended September 30, 2015. Our yield on interest-earning assets decreased from 0.96% for the six months ended September 30, 2014 to 0.87% for the six months ended September 30, 2015. As a result, our total interest income on interest-earning assets decreased from ¥949.4 billion for the six months ended September 30, 2014 to ¥881.8 billion for the six months ended September 30, 2015.

Our average balance of interest-bearing liabilities increased by ¥4,324.5 billion, or 2.3%, from ¥185,482.6 billion for the six months ended September 30, 2014 to ¥189,807.2 billion for the six months ended September 30, 2015. Our average interest rates on interest-bearing liabilities rose from 0.18% for the six months ended September 30, 2014 to 0.19% for the six months ended September 30, 2015. As a result, our total interest expenses on interest-bearing liabilities increased from ¥172.3 billion for the six months ended September 30, 2014 to ¥182.4 billion for the six months ended September 30, 2015.

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

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

	Billions of yen		
	For the six months ended September 30, 2015 versus six months ended September 30, 2014 increase (decrease) due to		
	Balance-related change ⁽¹⁾	Interest-related change ⁽¹⁾	Net change
Interest income:			
Loans:			
Domestic	¥ (1.5)	¥ (1.3)	¥ (2.8)
Overseas	0.0	—	0.0
Total ⁽²⁾	(1.5)	(1.3)	(2.8)
Securities:			
Domestic	(110.2)	2.4	(107.7)
Overseas	64.7	(29.8)	34.9
Total ⁽²⁾	(54.0)	(18.8)	(72.8)
Due from banks, etc.: ⁽³⁾			
Domestic	6.2	0.2	6.5
Overseas	(0.0)	1.1	1.0
Total ⁽²⁾	6.9	0.6	7.6
Total interest income:			
Domestic	1.2	(87.2)	(86.0)
Overseas	65.8	(29.7)	36.0
Total ⁽²⁾	¥ 20.9	¥(88.4)	¥ (67.5)

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

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

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

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

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

	Billions of yen		
	For the six months ended September 30, 2015 versus six months ended September 30, 2014 increase (decrease) due to		
	Balance-related change ⁽¹⁾	Interest-related change ⁽¹⁾	Net change
Interest expenses:			
Deposits:			
Domestic	¥ 0.4	¥(3.8)	¥ (3.4)
Overseas	—	—	—
Total ⁽²⁾	0.4	(3.8)	(3.4)
Total interest expenses:			
Domestic	1.3	(3.9)	(2.6)
Overseas	31.6	(1.3)	30.3
Total ⁽²⁾	¥ 4.0	¥ 6.0	¥10.1

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

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

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

Our interest income in the six months ended September 30, 2015 decreased by ¥67.5 billion compared to the six months ended September 30, 2014 primarily due to a decrease in income from domestic bonds as a result of a decrease in the balance of these bonds.

Our interest expenses in the six months ended September 30, 2015 increased by ¥10.1 billion compared to the six months ended September 30, 2014 primarily due to increases in interest on payables under securities lending transactions and interest rate swaps for hedging purposes.

Interest Rate Spread

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

	For the six months ended September 30,	
	2015	2014
Yield on interest-earning assets:		
Domestic	0.70%	0.79%
Overseas	1.39	1.77
Total	0.87	0.96
Interest rate on interest-bearing liabilities:		
Domestic	0.15	0.15
Overseas	0.57	0.58
Total	0.19	0.18
Interest rate spread:		
Domestic	0.55	0.63
Overseas	0.81	1.19
Total	0.68%	0.77%

Notes: (1) Interest rate and yield are annualized.

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

Net Fees and Commissions

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

	Billions of yen	
	For the six months ended September 30,	
	2015	2014
Fees and commissions income:		
Fees and commissions on domestic and foreign exchanges	¥30.7	¥30.5
Other	32.3	29.1
Total	63.1	59.7
Fees and commissions expenses:		
Fees and commissions on domestic and foreign exchanges	1.7	1.5
Other	14.3	13.6
Total	16.1	15.1
Net fees and commissions	¥46.9	¥44.5

Net fees and commissions increased by ¥2.4 billion, or 5.4%, from ¥44.5 billion for the six months ended September 30, 2014 to ¥46.9 billion for the six months ended September 30, 2015. Fees and commissions income increased by ¥3.4 billion, or 5.7%, from ¥59.7 billion for the six months ended September 30, 2014 to ¥63.1 billion for the six months ended September 30, 2015, while fees and commissions expenses increased by ¥0.9 billion to ¥16.1 billion for the six months ended September 30, 2015. The increase in income from fees and commissions was due to an increase in fees relating to ATMs and the sale of investment trusts.

Net Other Operating Income (Loss)

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

	Billions of yen	
	For the six months ended September 30,	
	2015	2014
Other operating income:		
Gains on foreign exchanges	¥ 7.7	¥ —
Gains on sales of bonds	6.3	0.1
Gains on redemption of bonds	—	—
Other	—	0.0
Total	14.0	0.1
Other operating expenses:		
Losses on foreign exchanges	—	0.3
Losses on sales of bonds	0.9	0.0
Other	—	—
Total	0.9	0.3
Net other operating income (loss)	¥13.1	¥(0.2)

Net other operating income was ¥13.1 billion for the six months ended September 30, 2015 as compared to net other operating loss of ¥0.2 billion for the six months ended September 30, 2014. This was due to an increase in the gains on foreign exchanges and sales of bonds.

General and Administrative Expenses

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

	Billions of yen	
	For the six months ended September 30,	
	2015	2014
General and administrative expenses:		
Personnel expenses:		
Salaries and allowances	¥ 50.4	¥ 49.6
Others	10.6	10.9
Total	61.1	60.6
Non-personnel expenses:		
Commissions on bank agency services paid to JAPAN POST Co., Ltd.	308.1	303.1
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. ⁽¹⁾	4.9	11.2
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	32.2	61.8
Rent for land, buildings and others	5.8	5.5
Expenses on consigned businesses	26.0	29.6
Depreciation and amortization	18.0	16.8
Communication and transportation expenses	9.7	10.0
Maintenance expenses	6.2	8.1
IT expenses	9.2	8.9
Others	11.4	11.5
Total	431.8	467.0
Taxes and dues (consumption tax and stamp tax, etc.)	37.5	36.9
Total	¥530.5	¥564.6

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

Our general and administrative expenses decreased by ¥34.0 billion, or 6.0%, from ¥564.6 billion for the six months ended September 30, 2014 to ¥530.5 billion for the six months ended September 30, 2015. This decrease was mainly due to decreases in both deposit insurance expenses paid to Deposit Insurance Corporation of Japan and also the deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd., as a result of a reduction in the deposit insurance premium rate. Pursuant to Article 122 of the Postal Service Privatization Act, we are required to make payments equivalent to annual deposit insurance premiums to JAPAN POST HOLDINGS Co., Ltd. with respect to special deposits.

Other Income and Expenses

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

	Billions of yen	
	For the six months ended September 30,	
	2015	2014
Other income:		
Gains on money held in trust	¥23.8	¥18.6
Other	4.1	6.0
Total	28.0	24.6
Other expenses:		
Losses on money held in trust	0.0	—
Other	1.4	1.7
Total	1.4	1.7
Net other income (expenses)	¥26.5	¥22.9

Other income increased by ¥3.3 billion, or 13.6%, from ¥24.6 billion for the six months ended September 30, 2014 to ¥28.0 billion for the six months ended September 30, 2015. Other expenses decreased by ¥0.2 billion, or 16.2%, from ¥1.7 billion for the six months ended September 30, 2014 to ¥1.4 billion for the six months ended September 30, 2015. As a result, net other income was ¥26.5 billion for the six months ended September 30, 2015, compared to net other income of ¥22.9 billion for the six months ended September 30, 2014. The increase was primarily due to an increase in gains on money held in trust, which was primarily attributable to an increase in distributions on domestic equity securities, which we hold through money held in trust.

Income Taxes

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

	Billions of yen, except for percentages	
	For the six months ended September 30,	
	2015	2014
Income taxes:		
Current	¥84.5	¥86.7
Deferred	(5.1)	6.9
Effective income tax rate	31.6%	34.0%

Current income taxes decreased ¥2.2 billion, and deferred income taxes decreased ¥12.1 billion, for the six months ended September 30, 2015, compared to the same period in the previous year due to tax reforms, which changed the effective statutory tax rate from 35.6% to 33.0%. The effective income tax rate was 31.6% for the six months ended September 30, 2015, 1.4 percentage points lower than the effective statutory tax rate of 33.0%. This lower effective income tax rate primarily relates to the effect of nontaxable dividends received.

Net Income

As a result of the foregoing, net income was ¥171.5 billion for the six months ended September 30, 2015 as compared to net income of ¥181.7 billion for the six months ended September 30, 2014.

Year Ended March 31, 2015 Compared to Year Ended March 31, 2014

Net Interest Income

Interest Income

Our total interest income increased by ¥65.6 billion, or 3.5%, from ¥1,827.6 billion in the year ended March 31, 2014 to ¥1,893.2 billion in the year ended March 31, 2015. This increase mainly reflected an increase in our interest and dividends on securities as a result of an increase in the diversification of our income-generating assets. Our interest and dividends on securities increased by ¥57.7 billion, or 3.2%, to ¥1,826.0 billion in the year ended March 31, 2015. Our interest on loans decreased by ¥6.8 billion, or 17.9%, to ¥31.1 billion in the year ended March 31, 2015, mainly due to a decrease in the balance of our loan portfolio.

Interest Expenses

Our total interest expenses decreased by ¥4.9 billion, or 1.3%, from ¥361.7 billion in the year ended March 31, 2014 to ¥356.7 billion in the year ended March 31, 2015, mainly due to a decrease in interest on deposits expenses, which outweighed the increase in interest on interest rate swaps for hedging purposes. Interest expenses on deposits decreased by ¥13.3 billion, or 5.2%, to ¥241.7 billion in the year ended March 31, 2015, due to a decrease in interest rates.

Net Interest Income

Our net interest income calculated by deducting interest expenses from interest income, increased by ¥70.6 billion, or 4.8%, from ¥1,465.8 billion in the year ended March 31, 2014 to ¥1,536.4 billion in the year ended March 31, 2015. Our interest rate spread was 0.76% for the year ended March 31, 2015, an increase from 0.73% for the year ended March 31, 2014.

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

The following table shows our average asset balances and related interest and average earnings yields of our interest-earning assets for the years ended March 31, 2014 and 2015. Although we do not have any overseas branches or subsidiaries, since our operations are not divided into reportable segments, we attribute yen-denominated transactions to "domestic" and foreign currency-denominated transactions to "overseas" (except that yen-denominated transactions with non-residents of Japan are included in "overseas") and record income and expenses for each category. Accordingly, the table below shows the average asset balances and interest for "domestic" and "overseas" for the periods indicated.

	Billions of yen, except for percentages					
	For the year ended March 31,					
	2015			2014		
	Average asset balance ⁽⁴⁾	Interest	Average earnings yield	Average asset balance ⁽⁴⁾	Interest	Average earnings yield
Interest-earning assets:⁽¹⁾						
Loans:						
Domestic	¥ 2,972.3	¥ 31.1	1.04%	¥ 3,418.1	¥ 37.8	1.10%
Overseas	—	—	—	13.3	0.0	0.57
Total ⁽²⁾	2,972.3	31.1	1.04	3,431.4	37.9	1.10
Securities:						
Domestic	133,278.7	1,320.4	0.99	153,186.9	1,506.2	0.98
Overseas	26,849.9	505.6	1.88	19,197.6	262.1	1.36
Total ⁽²⁾	160,128.7	1,826.0	1.14	172,384.6	1,768.3	1.02
Due from banks, etc.: ⁽³⁾						
Domestic	25,859.6	24.5	0.09	11,687.0	10.4	0.08
Overseas	1,144.4	3.5	0.30	987.7	2.6	0.26
Total ⁽²⁾	27,004.1	28.0	0.10	12,674.8	13.1	0.10
Total interest-earning assets:						
Domestic	192,255.0	1,425.9	0.74	192,607.1	1,595.1	0.82
Overseas	28,033.6	509.2	1.81	20,219.3	264.8	1.31
Total ⁽²⁾	¥198,005.9	¥1,893.2	0.95%	¥196,019.7	¥1,827.6	0.93%

Notes: (1) Income earned on money held in trust is included in "other income," and the average balance of money held in trust (¥2,286.6 billion for the year ended March 31, 2015 and ¥2,287.2 billion for the year ended March 31, 2014) is excluded from interest-earning assets.

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

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

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

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

The following table shows the average balances and related interest and average interest rates of our interest-bearing liabilities for the years ended March 31, 2014 and 2015.

	Billions of yen, except for percentages					
	For the year ended March 31,					
	2015			2014		
	Average liability balance ⁽³⁾	Interest	Average interest rate	Average liability balance ⁽³⁾	Interest	Average interest rate
Interest-bearing liabilities:⁽¹⁾						
Deposits:						
Domestic	¥177,711.3	¥241.7	0.13%	¥176,963.9	¥255.0	0.14%
Overseas	—	—	—	—	—	—
Total ⁽²⁾	177,711.3	241.7	0.13	176,963.9	255.0	0.14
Total interest-bearing liabilities:						
Domestic	183,495.7	286.0	0.15	183,500.8	298.7	0.16
Overseas	25,904.5	108.4	0.41	18,835.4	91.0	0.48
Total ⁽²⁾	¥187,117.5	¥352.4	0.18%	¥185,529.5	¥357.3	0.19%

Notes: (1) Expenses incurred on money held in trust are included in "other expenses," and the average balance corresponding to money held in trust (¥2,286.6 billion for the year ended March 31, 2015 and ¥2,287.2 billion for the year ended March 31, 2014) and the interest expenses (¥4.3 billion for the year ended March 31, 2015 and ¥4.4 billion for the year ended March 31, 2014) are excluded from interest-bearing liabilities.

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

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

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

Our average balance of interest-earning assets increased by ¥1,986.2 billion, or 1.0%, from ¥196,019.7 billion in the year ended March 31, 2014 to ¥198,005.9 billion in the year ended March 31, 2015. Our yield on interest-earning assets increased from 0.93% in the year ended March 31, 2014 to 0.95% in the year ended March 31, 2015. As a result, our total interest income on interest-earning assets increased from ¥1,827.6 billion in the year ended March 31, 2014 to ¥1,893.2 billion in the year ended March 31, 2015.

Our average balance of interest-bearing liabilities increased by ¥1,587.9 billion, or 0.8%, from ¥185,529.5 billion in the year ended March 31, 2014 to ¥187,117.5 billion in the year ended March 31, 2015. Our average interest rate on interest-bearing liabilities decreased from 0.19% in the year ended March 31, 2014 to 0.18% in the year ended March 31, 2015. As a result, our total interest expenses on interest-bearing liabilities decreased from ¥357.3 billion in the year ended March 31, 2014 to ¥352.4 billion in the year ended March 31, 2015.

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

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

	Billions of yen		
	For the year ended March 31, 2015 versus year ended March 31, 2014 increase (decrease) due to		
	Balance-related change ⁽¹⁾	Interest-related change ⁽¹⁾	Net change
Interest income:			
Loans:			
Domestic	¥ (4.7)	¥ (2.0)	¥ (6.7)
Overseas	(0.0)	—	(0.0)
Total ⁽²⁾	(4.8)	(1.9)	(6.8)
Securities:			
Domestic	(197.3)	11.5	(185.8)
Overseas	124.7	118.7	243.5
Total ⁽²⁾	(101.1)	158.8	57.7
Due from banks, etc.: ⁽³⁾			
Domestic	13.4	0.6	14.0
Overseas	0.4	0.4	0.8
Total ⁽²⁾	14.8	0.0	14.9
Total interest income:			
Domestic	(2.9)	(166.2)	(169.1)
Overseas	122.1	122.2	244.4
Total ⁽²⁾	¥ 18.6	¥ 47.0	¥ 65.6

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

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

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

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

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

	Billions of yen		
	For the year ended March 31, 2015 versus year ended March 31, 2014 increase (decrease) due to		
	Balance-related change ⁽¹⁾	Interest-related change ⁽¹⁾	Net change
Interest expenses:			
Deposits:			
Domestic	¥ 1.0	¥(14.4)	¥(13.3)
Overseas	—	—	—
Total ⁽²⁾	1.0	(14.4)	(13.3)
Total interest expenses:			
Domestic	(0.0)	(12.6)	(12.6)
Overseas	27.0	(9.6)	17.4
Total ⁽²⁾	¥ 3.1	¥ (7.9)	¥ (4.8)

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

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

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

Our interest income in the year ended March 31, 2015 increased by ¥65.6 billion compared to the previous year primarily due to an increase in income from foreign securities as a result of increases in both balance of and interest rates on such securities, despite a decrease in interest income from domestic securities as a result of a decrease in the balance of these securities.

Our interest expenses in the year ended March 31, 2015 decreased by ¥4.8 billion compared to the previous year primarily due to a decrease in interest on deposits as a result of a decrease in interest rates.

Interest Rate Spread

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

	For the year ended March 31,	
	2015	2014
Yield on interest-earning assets:		
Domestic	0.74%	0.82%
Overseas	1.81	1.31
Total	0.95	0.93
Interest rate on interest-bearing liabilities:		
Domestic	0.15	0.16
Overseas	0.41	0.48
Total	0.18	0.19
Interest rate spread:		
Domestic	0.58	0.66
Overseas	1.39	0.82
Total	0.76%	0.73%

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

Our interest rate spread, for the year ended March 31, 2015, increased to 0.76% from 0.73% for the previous year. This increase was primarily the result of increased diversification of our income-generating assets, increasing interest rate spread on overseas assets from 0.82% to 1.39%.

Net Fees and Commissions

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

	Billions of yen	
	For the year ended March 31,	
	2015	2014
Fees and commissions income:		
Fees and commissions on domestic and foreign exchanges	¥ 60.8	¥ 64.1
Other	58.5	56.9
Total	119.4	121.1
Fees and commissions expenses:		
Fees and commissions on domestic and foreign exchanges	3.3	2.9
Other	26.8	25.4
Total	30.1	28.4
Net fees and commissions	¥ 89.2	¥ 92.6

Net fees and commissions decreased by ¥3.4 billion, or 3.7%, from ¥92.6 billion in the year ended March 31, 2014 to ¥89.2 billion in the year ended March 31, 2015. Fees and commissions income decreased by ¥1.6 billion, or 1.3%, from ¥121.1 billion in the year ended March 31, 2014 to ¥119.4 billion in the year ended March 31, 2015, while fees and commissions expenses increased by ¥1.7 billion to ¥30.1 billion for the year ended March 31, 2015. The decrease in income from fees and commissions was due to a decrease in fees and commissions related to remittances and transfers, despite an increase in fees and commissions related to ATMs and sale of investment trusts.

Net Other Operating Income (Loss)

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

	Billions of yen	
	For the year ended March 31,	
	2015	2014
Other operating income:		
Gains on foreign exchanges	¥ 9.3	¥ 1.4
Gains on sales of bonds	1.4	9.2
Gains on redemption of bonds	—	9.7
Other	0.0	—
Total	10.8	20.4
Other operating expenses:		
Losses on foreign exchanges	—	—
Losses on sales of bonds	5.4	14.7
Other	0.6	—
Total	6.0	14.7
Net other operating income (loss)	¥ 4.7	¥ 5.7

Net other operating income was ¥4.7 billion in the year ended March 31, 2015 as compared to net other operating income of ¥5.7 billion in the year ended March 31, 2014. This decrease was primarily due to a decrease in realized gains on the sales of bonds and a decrease in realized gains from the redemption of bonds, despite an increase in gains on foreign exchanges and a decrease in losses realized upon the sale of bonds.

General and Administrative Expenses

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

	Billions of yen	
	For the year ended March 31,	
	2015	2014
General and administrative expenses:		
Personnel expenses:		
Salaries and allowances	¥ 99.9	¥ 100.2
Others	22.1	22.0
Total	122.0	122.3
Non-personnel expenses:		
Commissions on bank agency services paid to JAPAN POST Co., Ltd.	602.4	607.2
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. ⁽¹⁾	18.9	22.0
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	103.6	99.8
Rent for land, buildings and others	11.1	11.1
Expenses on consigned businesses	62.3	57.6
Depreciation and amortization	34.6	33.4
Communication and transportation expenses	19.9	20.4
Maintenance expenses	16.0	13.2
IT expenses	22.4	28.2
Others	25.7	20.1
Total	917.4	913.6
Taxes and dues (consumption tax and stamp tax, etc.)	74.1	59.0
Total	¥1,113.6	¥1,095.0

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

Our general and administrative expenses increased 1.7% from ¥1,095.0 billion in the year ended March 31, 2014 to ¥1,113.6 billion in the year ended March 31, 2015. This increase was mainly due to an increase in taxes and dues, as a result of an increase in the consumption tax rate.

Other Income and Expenses

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

	Billions of yen	
	For the year ended March 31,	
	2015	2014
Other income:		
Gains on money held in trust	¥43.1	¥103.8
Other	14.5	3.3
Total	57.6	107.1
Other expenses:		
Losses on money held in trust	—	0.0
Other	3.4	12.0
Total	3.4	12.0
Net other income (expenses)	¥54.2	¥ 95.1

Other income decreased by ¥49.5 billion, or 46.1%, from ¥107.1 billion in the year ended March 31, 2014 to ¥57.6 billion in the year ended March 31, 2015. Other expenses decreased by ¥8.5 billion, or 71.2%, from ¥12.0 billion in the year ended March 31, 2014 to ¥3.4 billion in the year ended March 31, 2015. As a result, net other income was ¥54.2 billion in the year ended March 31, 2015, compared to net other income of ¥95.1 billion in the year ended March 31, 2014. The changes were primarily due to a decrease in gains on money held in trust as a result of a decrease in gains on the sales of domestic equity securities, which we hold through money held in trust.

Income Taxes

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

	Billions of yen, except for percentages	
	For the year ended March 31,	
	2015	2014
Income taxes:		
Current	¥182.6	¥187.8
Deferred	18.9	21.9
Effective income tax rate	35.3%	37.1%

Current income taxes decreased ¥5.1 billion, and deferred income taxes decreased ¥3.0 billion, for the year ended March 31, 2015, compared to the previous year due to tax reforms, which changed the effective statutory tax rate from 38.0% to 35.6%. The effective income tax rate was 35.3% for the year ended March 31, 2015, 0.3 percentage points lower than the effective statutory tax rate of 35.6%. The lower effective income tax rate primarily relates to the effect of nontaxable dividends received.

Net Income

As a result of the foregoing, net income was ¥369.4 billion in the year ended March 31, 2015 as compared to net income of ¥354.6 billion in the year ended March 31, 2014.

FINANCIAL CONDITION

Total Assets

As of September 30, 2015, we had total assets of ¥207,232.5 billion, a decrease of ¥946.7 billion, or 0.4%, as compared to total assets of ¥208,179.3 billion as of March 31, 2015.

As of March 31, 2015, we had total assets of ¥208,179.3 billion, an increase of ¥5,666.4 billion, or 2.7%, as compared to total assets of ¥202,512.8 billion as of March 31, 2014.

Securities Portfolio

Our securities portfolio totaled ¥149,801.1 billion as of September 30, 2015, a decrease of ¥6,368.6 billion, or 4.0%, from ¥156,169.7 billion as of March 31, 2015. This decrease was mainly due to a decrease in Japanese government bonds of ¥13,993.4 billion, or 13.1%, offset in part by an increase in other securities, which mainly consisted of foreign securities, by ¥8,045.2 billion, or 24.4%.

Our securities portfolio totaled ¥156,169.7 billion as of March 31, 2015, a decrease of ¥9,888.0 billion, or 5.9%, from ¥166,057.8 billion as of March 31, 2014. This decrease was mainly due to a decrease in Japanese government bonds of ¥19,624.0 billion, or 15.5%, offset in part by an increase in other securities, which mainly consisted of foreign securities, by ¥10,162.3 billion, or 44.7%.

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

	Billions of yen		
	As of September 30,	As of March 31,	
	2015	2015	2014
Domestic:			
Japanese government bonds	¥ 92,773.6	¥106,767.0	¥126,391.0
Japanese local government bonds	5,489.1	5,525.1	5,550.3
Japanese corporate bonds	10,598.4	10,983.0	11,384.1
Other securities	0.9	0.9	0.9
Subtotal	108,862.2	123,276.1	143,326.5
Overseas:			
Other securities	40,938.9	32,893.6	22,731.3
Foreign bonds	20,291.8	18,817.7	14,532.6
Investment trusts	20,598.9	13,967.7	8,120.5
Subtotal	40,938.9	32,893.6	22,731.3
Total	¥149,801.1	¥156,169.7	¥166,057.8

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

Our investment securities are classified into the following primary categories:

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

Held-to-Maturity Securities

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

	Billions of yen				
	As of September 30, 2015				
	Carrying amount	Fair value	Difference	Amount for which fair value exceeds carrying amount	Amount for which fair value does not exceed carrying amount
Japanese government bonds	¥54,363.4	¥56,260.7	¥1,897.3	¥1,897.3	¥ —
Japanese local government bonds	468.7	476.6	7.9	7.9	—
Japanese corporate bonds	4,207.2	4,327.8	120.5	120.5	0.0
Others	114.7	163.8	49.0	49.0	—
Foreign bonds	114.7	163.8	49.0	49.0	—
Total	¥59,154.2	¥61,229.1	¥2,074.9	¥2,074.9	¥0.0

	Billions of yen				
	As of March 31, 2015				
	Carrying amount	Fair value	Difference	Amount for which fair value exceeds carrying amount	Amount for which fair value does not exceed carrying amount
Japanese government bonds	¥60,906.0	¥62,974.3	¥2,068.2	¥2,068.2	¥ —
Japanese local government bonds	744.6	757.3	12.7	12.7	—
Japanese corporate bonds	4,687.2	4,821.7	134.4	134.5	0.0
Others	136.5	189.4	52.8	52.8	—
Foreign bonds	136.5	189.4	52.8	52.8	—
Total	¥66,474.5	¥68,742.9	¥2,268.3	¥2,268.4	¥0.0

	Billions of yen				
	As of March 31, 2014				
	Carrying amount	Fair value	Difference	Amount for which fair value exceeds carrying amount	Amount for which fair value does not exceed carrying amount
Japanese government bonds	¥82,959.2	¥85,244.2	¥2,284.9	¥2,285.0	¥0.0
Japanese local government bonds	1,185.7	1,213.6	27.9	27.9	—
Japanese corporate bonds	5,292.7	5,452.8	160.1	160.1	0.0
Others	165.2	227.8	62.5	62.5	—
Foreign bonds	165.2	227.8	62.5	62.5	—
Total	¥89,602.9	¥92,138.6	¥2,535.6	¥2,535.7	¥0.1

The carrying amount of our held-to-maturity securities as of September 30, 2015 was ¥59,154.2 billion, a decrease of ¥7,320.3 billion, or 11.0%, from ¥66,474.5 billion as of March 31, 2015. This decrease was primarily due to a decrease in the amount of Japanese government bonds, as a larger amount of held-to-maturity Japanese government bonds matured during the period than were newly acquired.

The carrying amount of our held-to-maturity securities as of March 31, 2015 was ¥66,474.5 billion, a decrease of ¥23,128.3 billion, or 25.8%, from ¥89,602.9 billion as of March 31, 2014. This decrease was primarily due to a decrease in the amount of Japanese government bonds, as a larger amount of held-to-maturity Japanese government bonds matured during the period than were newly acquired.

Available-for-Sale Securities

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

	Billions of yen				
	As of September 30, 2015				
	Carrying amount	Acquisition cost	Difference	Amount for which carrying amount exceeds acquisition cost	Amount for which carrying amount does not exceed acquisition cost
Japanese government bonds	¥38,410.1	¥36,997.3	¥1,412.8	¥1,413.0	¥ 0.1
Japanese local government bonds	5,020.4	4,904.5	115.8	116.4	0.5
Japanese corporate bonds	6,391.1	6,259.9	131.2	132.3	1.1
Others	41,618.8	38,813.3	2,805.4	3,168.2	362.7
Foreign bonds	20,177.1	17,233.5	2,943.5	3,034.9	91.4
Investment trusts	20,598.9	20,737.5	(138.6)	132.2	270.9
Total	¥91,440.6	¥86,975.2	¥4,465.4⁽¹⁾	¥4,830.0	¥364.6

Note: (1) Of the difference shown above, ¥480.4 billion is included in the statements of income as profit because of the application of fair value hedge accounting.

	Billions of yen				
	As of March 31, 2015				
	Carrying amount	Acquisition cost	Difference	Amount for which carrying amount exceeds acquisition cost	Amount for which carrying amount does not exceed acquisition cost
Japanese government bonds	¥45,860.9	¥44,478.9	¥1,382.0	¥1,383.8	¥ 1.7
Japanese local government bonds	4,780.4	4,661.4	118.9	119.5	0.5
Japanese corporate bonds	6,295.7	6,157.7	138.0	140.7	2.6
Others	33,584.0	30,146.5	3,437.5	3,482.1	44.6
Foreign bonds	18,681.1	15,530.2	3,150.8	3,189.6	38.7
Investment trusts	13,967.7	13,702.8	264.9	270.4	5.5
Total	¥90,521.3	¥85,444.7	¥5,076.5⁽¹⁾	¥5,126.1	¥49.6

Note: (1) Of the difference shown above, ¥591.4 billion is included in the statements of income as profit because of the application of fair value hedge accounting.

	Billions of yen				
	As of March 31, 2014				
	Carrying amount	Acquisition cost	Difference	Amount for which carrying amount exceeds acquisition cost	Amount for which carrying amount does not exceed acquisition cost
Japanese government bonds	¥43,431.7	¥42,256.8	¥1,174.9	¥1,175.0	¥ 0.1
Japanese local government bonds	4,364.6	4,244.7	119.9	120.2	0.3
Japanese corporate bonds	6,091.4	5,959.7	131.7	141.3	9.6
Others	23,243.3	21,012.6	2,230.7	2,236.2	5.5
Foreign bonds	14,367.3	12,395.7	1,971.6	1,975.8	4.1
Investment trusts	8,120.5	7,874.7	245.8	247.0	1.1
Total	¥77,131.2	¥73,473.9	¥3,657.2⁽¹⁾	¥3,672.9	¥15.6

Note: (1) Of the difference shown above, ¥330.5 billion is included in the statements of income as profit because of the application of fair value hedge accounting.

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

As of September 30, 2015, the carrying amount of our domestic bonds held as available-for-sale securities was ¥49,821.8 billion, a decrease of ¥7,115.4 billion, or 12.4%, from ¥56,937.2 billion as of March 31, 2015. This decrease was primarily due to a decrease in Japanese government bonds. As of September 30, 2015, the carrying amount of other securities was ¥41,618.8 billion, an increase of ¥8,034.7 billion, or 23.9%, from ¥33,584.0 billion as of March 31, 2015. This increase was primarily due to an increase in our holding of foreign securities as part of our ongoing portfolio diversification efforts. As of September 30, 2015, the total difference of the carrying amount and acquisition amount for available-for-sale securities was ¥4,465.4 billion, a decrease of ¥611.0 billion from a difference of ¥5,076.5 billion as of March 31, 2015. This decrease was mainly due to a decrease in the difference of carrying amount and acquisition amount of other securities, which was comprised of foreign securities, resulting from fluctuating interest rates and foreign exchange rates.

As of March 31, 2015, the carrying amount of our domestic bonds held as available-for-sale securities was ¥56,937.2 billion, an increase of ¥3,049.3 billion, or 5.6%, from ¥53,887.8 billion as of March 31, 2014. This increase was primarily due to an increase in Japanese government bonds. As of March 31, 2015, the carrying amount of other securities was ¥33,584.0 billion, an increase of ¥10,340.7 billion, or 44.4%, from ¥23,243.3 billion as of March 31, 2014. This increase was due to an increase in our holding of foreign securities as part of our portfolio diversification efforts. As of March 31, 2015, the total difference of the carrying amount and acquisition amount for available-for-sale securities was ¥5,076.5 billion, an increase of ¥1,419.2 billion from a difference of ¥3,657.2 billion as of March 31, 2014. This increase was mainly due to an increase in the difference of the carrying amount and acquisition amount of other securities, which was comprised of foreign securities, resulting from fluctuating foreign exchange rates.

Impairment Losses on Securities

For the years ended March 31, 2014 and 2015 and for the six months ended September 30, 2015, no impairment losses were recognized.

Foreign Bonds

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

	Billions of yen, except for percentages					
	As of September 30,		As of March 31,			
	2015		2015		2014	
	Outstanding assets	Percentage	Outstanding assets	Percentage	Outstanding assets	Percentage
Japanese yen	¥ 4,932.0	24.3%	¥ 4,261.9	22.6%	¥ 4,063.1	27.9%
U.S. dollar	11,529.5	56.8	11,015.2	58.5	7,126.9	49.0
Euro	3,364.3	16.5	3,162.7	16.8	3,282.3	22.5
Others	465.9	2.2	377.8	2.0	60.1	0.4
Total	¥20,291.8	100.0%	¥18,817.7	100.0%	¥14,532.6	100.0%

As of September 30, 2015, our holdings of U.S. dollar-denominated bonds totaled ¥11,529.5 billion, an increase of ¥514.3 billion, or 4.6%, from ¥11,015.2 billion as of March 31, 2015. As of September 30, 2015, our holdings of Euro-denominated bonds totaled ¥3,364.3 billion, an increase of ¥201.5 billion, or 6.3%, from ¥3,162.7 billion as of March 31, 2015. As of September 30, 2015, our holdings of foreign bonds totaled ¥20,291.8 billion, an increase of ¥1,474.1 billion, or 7.8%, from ¥18,817.7 billion as of March 31, 2015. These increases were primarily due to our diversification of our investment portfolio.

As of March 31, 2015, our holdings of U.S. dollar-denominated bonds totaled ¥11,015.2 billion, an increase of ¥3,888.2 billion, or 54.5%, from ¥7,126.9 billion as of March 31, 2014. As of March 31, 2015, our holdings of Euro-denominated bonds totaled ¥3,162.7 billion, a decrease of ¥119.5 billion, or 3.6%, from ¥3,282.3 billion as of March 31, 2014. As of March 31, 2015, our holdings of foreign bonds totaled ¥18,817.7 billion, an increase of ¥4,285.0 billion, or 29.4%, from ¥14,532.6 billion as of March 31, 2014. These increases were primarily due to our diversification of our investment portfolio.

Scheduled Redemption Amounts of Securities

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

	Billions of yen						
	As of March 31, 2015						
	One year or less	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years	Total
Japanese government bonds	¥19,118.8	¥32,720.1	¥15,180.7	¥16,100.1	¥20,223.0	¥1,887.0	¥105,229.8
Japanese local government bonds	1,001.5	1,063.7	1,513.9	1,231.7	510.6	31.6	5,353.1
Japanese corporate bonds	2,042.7	2,795.2	3,427.3	667.8	763.8	1,122.0	10,819.0
Other securities	2,532.1	5,528.7	5,934.6	2,409.1	1,734.0	169.0	18,307.7
Total	¥24,695.2	¥42,107.8	¥26,056.7	¥20,408.7	¥23,231.5	¥3,209.6	¥139,709.8

	Billions of yen						
	As of March 31, 2014						
	One year or less	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years	Total
Japanese government bonds	¥29,137.7	¥34,215.1	¥16,414.5	¥14,721.3	¥28,731.7	¥1,788.0	¥125,008.5
Japanese local government bonds	801.8	1,460.1	1,026.3	1,544.8	514.2	33.7	5,381.0
Japanese corporate bonds	2,249.0	2,578.1	3,258.7	1,350.8	726.9	1,066.2	11,229.9
Other securities	1,861.9	4,574.0	4,628.7	2,123.1	1,005.2	—	14,193.1
Total	¥34,050.6	¥42,827.4	¥25,328.3	¥19,740.2	¥30,978.2	¥2,887.9	¥155,812.7

Loans

Unlike other banks in Japan, our lending activities have been limited, primarily due to regulatory restrictions on our lending business, although we are applying for regulatory approval to engage in home mortgage lending and lending directly to corporations. We offer loans secured by deposits, loans secured by Japanese government bonds, loans to local and regional government authorities and credit card loans. We also participate in syndicated loans to corporate borrowers, though never as syndicate manager, and acquire corporate loans and others in the secondary market. As of September 30, 2015, our total outstanding loan amount was ¥2,617.6 billion. Loans to the Management Organization for Postal Savings and Postal Life Insurance ("Management Organization"), which are included in finance and insurance loans below, comprise the majority of our loan portfolio. As of September 30, 2015, loans to the Management Organization totaled ¥1,353.6 billion, or 51.7% of our entire loan portfolio.

As of September 30, 2015, "Non-accrual delinquent loans" were ¥0.0 billion, while there were no "Loans to bankrupt borrowers," "Past-due loans for three months or more," and "Restructured loans."

As of March 31, 2014 and 2015, there were no "Loans to bankrupt borrowers," "Non-accrual delinquent loans," "Past-due loans for three months or more," and "Restructured loans."

The substantial majority of our loans are made to domestic borrowers. As of September 30, 2015, we had ¥2,614.3 billion in domestic loans and ¥3.3 billion in overseas loans.

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

	Billions of yen, except for percentages					
	As of September 30,		As of March 31,			
	2015		2015		2014	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Agriculture, forestry, fisheries, and mining	—	—	—	—	—	—
Manufacturing	¥ 51.8	1.9%	¥ 83.0	2.9%	¥ 83.8	2.7%
Utilities, information/communications, and transportation	87.4	3.3	91.0	3.2	94.0	3.0
Wholesale and retail	—	—	18.2	0.6	23.8	0.7
Finance and insurance ⁽¹⁾	1,645.1	62.8	1,759.2	63.1	2,026.9	65.8
Construction and real estate	2.0	0.0	2.0	0.0	11.5	0.3
Services and goods rental/leasing	8.6	0.3	8.6	0.3	15.8	0.5
Central and local governments	610.2	23.3	614.2	22.0	610.5	19.8
Others	212.3	8.1	207.4	7.4	209.7	6.8
Total	¥2,617.6	100.0%	¥2,783.9	100.0%	¥3,076.3	100.0%

Note: (1) Of "Finance and insurance," loans to the Management Organization were ¥1,766.1 billion and ¥1,486.3 billion, as of March 31, 2014 and 2015, respectively, and ¥1,353.6 billion as of September 30, 2015.

As of September 30, 2015, our loans were ¥2,617.6 billion, or 1.2% of total assets, representing a decrease of ¥166.3 billion, or 5.9%, from March 31, 2015. The decrease in our loans was due to a decrease in the balance of loans to the Management Organization.

As of March 31, 2015, our loans were ¥2,783.9 billion, or 1.3% of total assets, representing a decrease of ¥292.3 billion, or 9.5%, from March 31, 2014. The decrease in our loans was due to a decrease in the balance of loans to the Management Organization.

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

	Billions of yen					
	As of March 31, 2015					
	One year or less	More than one year to three years	More than three years to five years	More than five years to seven years	More than seven years to ten years	Over ten years
Loans	¥706.4	¥718.9	¥606.1	¥309.0	¥293.3	¥145.9
						¥2,779.7

Money Held in Trust

We hold money held in trust for purposes other than trading or held-to-maturity and money held in trust is classified as available-for-sale securities. We did not hold money held in trust for the purpose of trading or held-to-maturity as of March 31, 2014 and 2015 and September 30, 2015. Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2014 and 2015 and September 30, 2015 was as follows:

	Billions of yen, except for percentages					
	As of September 30,		As of March 31,			
	2015		2015		2014	
	Outstanding assets	Percentage	Outstanding assets	Percentage	Outstanding assets	Percentage
Domestic stocks	¥2,129.2	62.3%	¥2,146.1	61.9%	¥1,609.4	55.5%
Domestic bonds	1,286.4	37.6	1,288.7	37.1	1,287.8	44.4
Foreign stocks	0.0	0.0	31.1	0.8	0.0	0.0
Total	¥3,415.6	100.0%	¥3,466.0	100.0%	¥2,897.2	100.0%

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

Assets in respect of money held in trust are primarily held in Japanese yen. As of March 31, 2015 and September 30, 2015, our investment in stocks has been mainly through money held in trust, and such investments have been made for the purpose of further diversifying investment.

Sources of Funding and Liquidity

Deposits

Our primary source of funding is from deposits, mainly TEIGAKU deposits and ordinary deposits. The balance of deposits as of March 31, 2015 was ¥177.7 trillion. TEIGAKU deposits can be withdrawn any time six months after the initial deposit. The interest rates on such deposits rise every six months in a staircase pattern, with duration of up to three years. After three years, the interest is compounded using fixed interest rates until the maturity of 10 years. Ordinary deposits are demand deposits designed for day-to-day use and can be used for automatic withdrawals, direct deposits and other settlement transactions. Most of our deposits are from retail customers. All of our deposits are denominated in Japanese yen. As of March 31, 2015, our deposits of ¥177.7 trillion exceeded our securities of ¥156.1 trillion by ¥21.5 trillion, and our security-deposit ratio was 87.8%. These deposits provide us with a source of stable and low-cost funds. We continuously monitor fluctuations in the respective types of deposits from time to time relative to fluctuating market conditions to manage the impact of such fluctuations on our interest rate spread and liquidity.

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

	Billions of yen, except for percentages					
	As of September 30,		As of March 31,			
	2015		2015		2014	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Liquid deposits ⁽¹⁾	¥ 61,567.3	34.7%	¥ 61,053.6	34.3%	¥ 60,200.5	34.0%
Transfer deposits	12,200.2	6.8	11,747.3	6.6	10,925.6	6.1
Ordinary deposits, etc. ⁽²⁾	48,975.7	27.6	48,912.8	27.5	48,878.5	27.6
Savings deposits	391.3	0.2	393.4	0.2	396.3	0.2
Fixed-term deposits ⁽³⁾	115,368.0	65.1	116,453.0	65.5	116,157.6	65.7
Time deposits	12,453.3	7.0	13,569.9	7.6	14,781.4	8.3
TEIGAKU deposits, etc. ⁽⁴⁾	102,913.4	58.1	102,881.5	57.8	101,374.0	57.3
Other deposits	195.6	0.1	204.0	0.1	254.5	0.1
Subtotal	177,131.0	100.0	177,710.7	100.0	176,612.7	100.0
Negotiable certificates of deposit	—	—	—	—	—	—
Total	¥177,131.0	100.0%	¥177,710.7	100.0%	¥176,612.7	100.0%

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

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

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

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

The total balance of deposits as of September 30, 2015 was ¥177,131.0 billion, a decrease of ¥579.7 billion from ¥177,710.7 billion as of March 31, 2015.

The total balance of deposits as of March 31, 2015 was ¥177,710.7 billion, an increase of ¥1,097.9 billion from ¥176,612.7 billion as of March 31, 2014.

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

	Billions of yen		
	As of September 30,	As of March 31,	
	2015	2015	2014
Retail	¥152,928.9	¥151,181.8	¥146,868.4
Corporate	3,822.3	4,456.4	3,722.4
Total	¥156,751.3	¥155,638.2	¥150,590.8

Notes: (1) Special deposits (deposits received from the Management Organization corresponding to Postal Savings Deposits that were passed on to the Management Organization by Japan Post Corporation) are excluded. The balance of special deposits was ¥26,021.9 billion and ¥22,072.5 billion as of March 31, 2014 and 2015, respectively, and ¥20,379.7 billion as of September 30, 2015.

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

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

	Billions of yen						
	As of March 31, 2015						
	Less than three months	Three months to less than six months	Six months to less than one year	One year to less than two years	Two years to less than three years	Three years or more	Total
Fixed interest rates	¥3,759.0	¥2,330.5	¥5,811.7	¥505.9	¥550.0	¥612.5	¥13,569.9
Floating interest rates	—	—	—	—	—	—	—
Other time deposits	—	—	—	—	—	—	—

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

	Billions of yen					
	As of March 31, 2015					
	Less than one year	One year to less than three years	Three years to less than five years	Five years to less than seven years	Seven years or more	Total
TEIGAKU Deposits, etc.	¥1,698.1	¥24,514.8	¥20,355.8	¥28,693.6	¥27,619.0	¥102,881.5

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

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

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

Due from Banks and Interbank Funding

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

	Billions of yen	
	As of March 31,	
	2015	2014
Due from banks	¥33,164.5	¥19,343.9

Net Assets

The table below presents information relating to our net assets as of March 31, 2014 and 2015 and September 30, 2015:

	Billions of yen, except for percentages		
	As of September 30,	As of March 31,	
	2015	2015	2014
Capital stock	¥ 3,500.0	¥ 3,500.0	¥ 3,500.0
Capital surplus	4,296.2	4,296.2	4,296.2
Retained earnings	1,955.4	1,968.6	1,702.0
Treasury stock	(1,299.9)	(1,299.9)	—
Total shareholders' equity	8,451.7	8,464.9	9,498.2
Net unrealized gains (losses) on available-for-sale securities	3,391.7	3,824.6	2,563.1
Net deferred gains (losses) on hedges	(635.7)	(659.3)	(596.9)
Total valuation and translation adjustments	2,756.0	3,165.3	1,966.2
Net assets	¥11,207.8	¥11,630.2	¥11,464.5
Net assets as a percentage of total assets	5.4%	5.5%	5.6%

Net assets as of September 30, 2015 was ¥11,207.8 billion, a decrease of ¥422.4 billion, or 3.6%, compared to March 31, 2015. The decrease was primarily due to a decrease in retained earnings as a result of dividend payments and a decrease in total valuation and translation adjustments as a result of market fluctuations.

Net assets as of March 31, 2015 was ¥11,630.2 billion, an increase of ¥165.6 billion, or 1.4%, compared to March 31, 2014. The increase was primarily due to an increase in retained earnings and total valuation and translation adjustments despite a decrease in net assets due to an acquisition of our shares, worth ¥1,299.9 billion, from JAPAN POST HOLDINGS Co., Ltd.

CAPITAL RESOURCE MANAGEMENT

Capital Adequacy Ratio

As determined under the Banking Act of Japan, our capital adequacy ratio (non-consolidated, domestic standard) as of March 31, 2015 was 38.42%, a decrease of 18.39 percentage points from March 31, 2014.

Total risk-based capital, the numerator of the ratio, was ¥8,274.0 billion, a decrease of ¥1,130.6 billion from ¥9,404.6 billion as of March 31, 2014.

Risk-weighted assets, which correspond to the denominator of the ratio, amounted to ¥21,533.4 billion, representing an increase of ¥4,980.1 billion from ¥16,553.3 billion as of March 31, 2014.

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

	Millions of yen		Y-o-Y change
	As of March 31,		
	2015	2014	
Core Capital: instruments and reserves (A)	¥ 8,280,501	¥ 9,404,643	¥(1,124,141)
Core Capital: regulatory adjustments (B)	6,491	—	6,491
Total risk-based capital (A)–(B)=(C)	8,274,010	9,404,643	(1,130,632)
Total amount of risk-weighted assets (D)	21,533,490	16,553,324	4,980,166
Total credit risk-weighted assets	18,490,222	13,482,628	5,007,593
Total market risk equivalent / 8%	—	—	—
Total operational risk equivalent / 8%	3,043,268	3,070,695	(27,426)
Capital adequacy ratio (C)/(D) (%)	38.42	56.81	(18.39)

Dividends

We increased the total cash dividend paid for the fiscal year ended March 31, 2015 to ¥184.7 billion. The per-share cash dividend was ¥1,477.95 and the dividend payout ratio was 50.00%.

RISK MANAGEMENT

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

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

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

Risk Management System

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

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

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

In January 2016, we reorganized the Risk Management Division and appointed a risk management officer in order to upgrade our risk management capabilities in response to the increasingly diversified and complex nature of our investments.

Compliance with Basel Regulations

Capital adequacy standards are 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 the market discipline that allows for the assessment of the market through appropriate disclosures. We are required to comply with all capital adequacy standard provisions. 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 III. As of September 30, 2015, our capital adequacy ratio was 30.45%, which exceeded the minimum requirement (4% under the domestic standard).

Integrated Risk Management

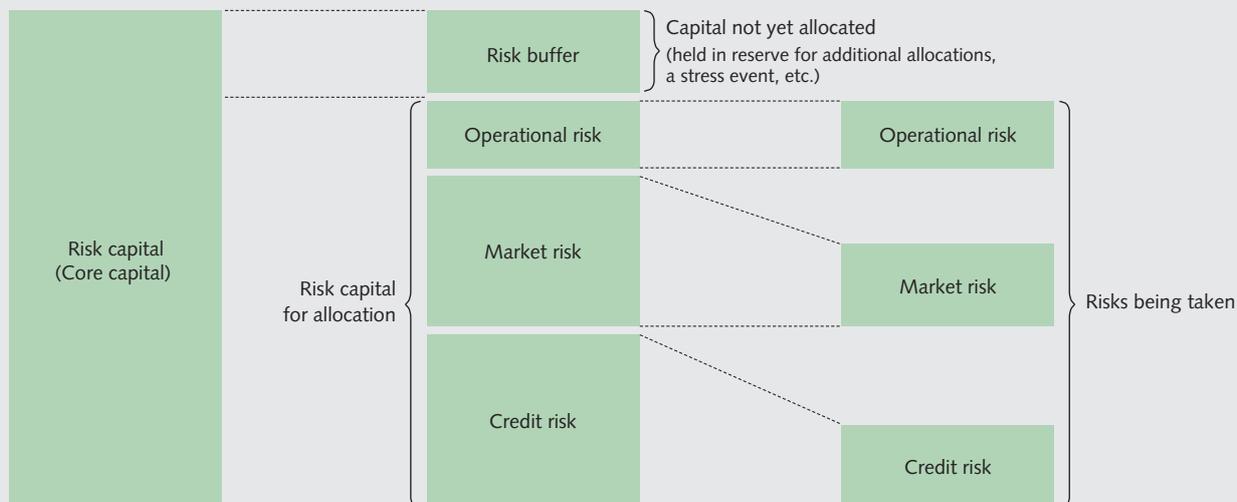
We broadly classify and define risks into five categories: market, market liquidity, funding liquidity, credit, and operational risks. We manage these risks using both quantitative and qualitative approaches.

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.

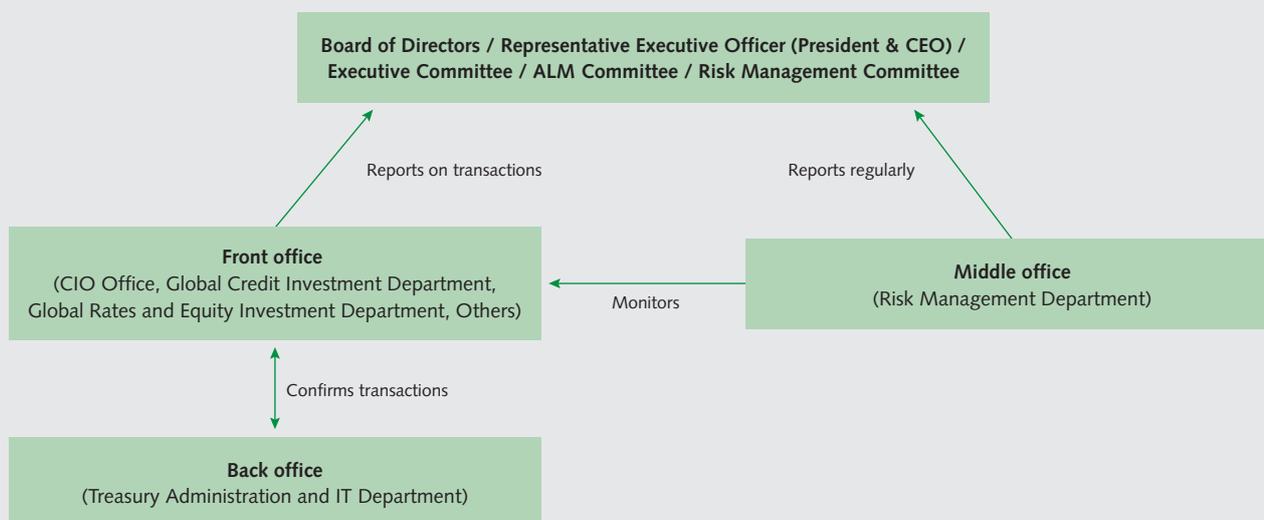
We have established a system for closely monitoring interest rate risk, in recognition of the importance of interest rates on our business. As part of this system, we perform simulations to gauge the effect of interest changes on our earnings.

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, 2015, our VaR was as follows:

VaR (From April 1, 2014 to March 31, 2015)

	Billions of yen			
	Year-end	Maximum	Minimum	Average
Fiscal year ended March 31, 2015	¥1,866.7	¥2,723.4	¥1,622.8	¥1,876.9

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

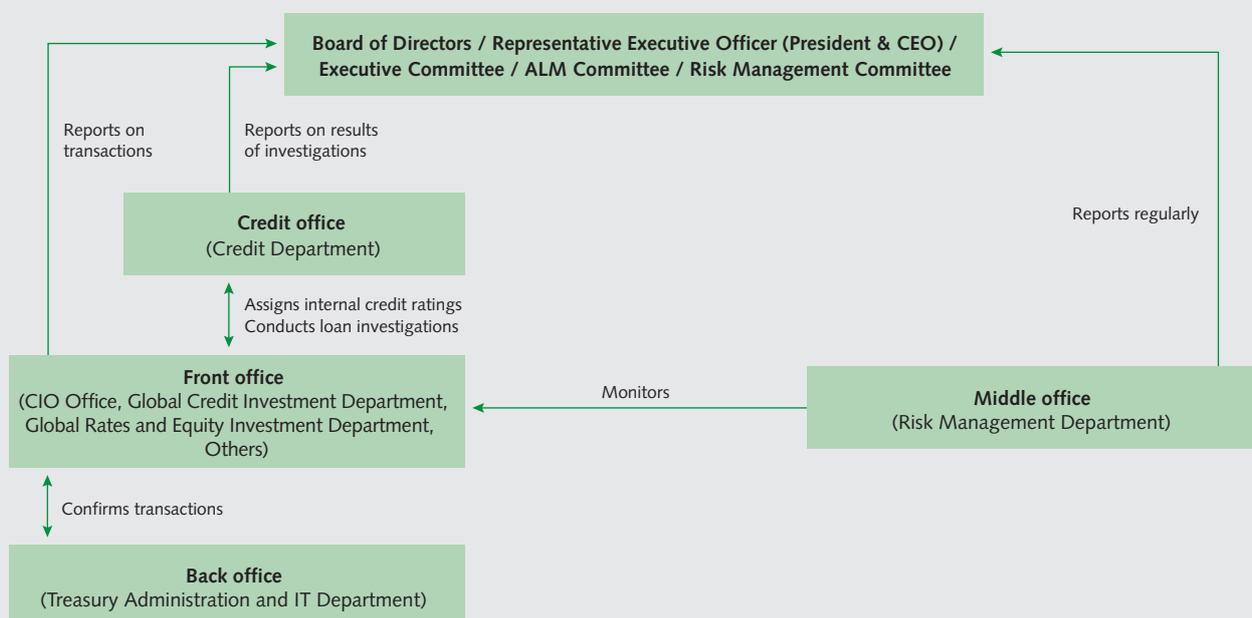
1. Credit Risk Management System

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

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

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

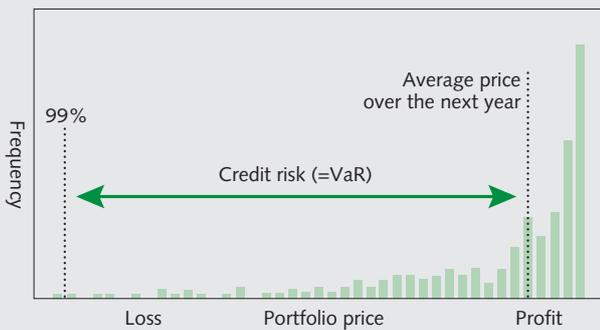
Credit Risk Management System



2. Measuring Credit Risk

To measure our credit risk amount (VaR), we use a model which adopts the Monte Carlo method using a confidence interval of 99% and holding period of one year. In addition, we use the mark to market, or MTM, method to recognize loss. Under the MTM method, we take into account the impairment of economic values resulting from a deterioration in our debtors' credit ratings, as well as losses at the time of the debtors' default.

Value at Risk (VaR) Image



3. Stress Testing

Since VaR is a statistically determined amount of credit risk calculated using probability-based data, such as the probability of a change in credit rating, it may not be able to capture deteriorations in creditworthiness resulting from large-scale economic changes. Therefore, in order to assess the magnitude of losses in the event of any changes in credit-worthiness beyond that assumed by the model, we regularly conduct stress tests that simulate the impact of the highest levels of default in the market in the past 10 years and report those results to the Executive Committee, the Risk Management Committee and the ALM Committee.

4. Internal Credit Ratings

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

Internal Credit Rating System

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

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

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

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

In accordance with predefined standards for write-offs and reserves, reserve for possible loan losses is provided for, as described below, in accordance with borrower categories stipulated in "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" (Japanese Institute of Certified Public Accountants, Special

Committee for Audits of Banks, etc., Report No. 4). Operational divisions conduct assessments of all loans in accordance with our standards for loan self-assessments. The results of those assessments are audited by the Internal Audit Planning Department, which is independent from operational divisions. The reserve is provided for in accordance with those assessments.

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

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

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

Asset Classifications

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

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 more closely monitor certain borrowers depending on their business condition, such as borrowers subject to possible credit rating downgrades or experiencing sharp drop in stock price.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk that losses will be incurred due to inadequate or failed internal processes, people and systems, or due to external events. We classify operational risk into seven categories: processing, IT system, information assets, legal, human resources, tangible assets, and reputational risks. Operational risk is managed in an integrated manner, by the 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 maintain an operational risk reporting system, which reports the occurrence of issues such as operational incidents and systemic issues.

We analyze the contents of these reports to determine the causes of these incidents and problems and identify trends. This process yields fundamental data for formulating and executing effective countermeasures.

Non-Consolidated Financial Statements

NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Assets:			
Cash and due from banks (Notes 19 and 22):	¥ 33,301,050	¥ 19,463,622	\$ 277,116,170
Cash	136,469	119,698	1,135,636
Due from banks	33,164,580	19,343,923	275,980,533
Call loans (Note 22)	1,961,526	1,843,569	16,322,931
Receivables under securities borrowing transactions (Note 22)	8,374,084	7,212,769	69,685,320
Monetary claims bought (Note 22)	122,032	62,272	1,015,499
Trading account securities (Notes 22 and 23):	104	278	866
Trading Japanese government bonds	104	278	866
Money held in trust (Notes 22 and 23)	3,491,637	2,919,003	29,055,819
Securities (Notes 8, 21, 22, 23 and 24):	156,169,792	166,057,886	1,299,573,874
Japanese government bonds	106,767,047	126,391,090	888,466,734
Japanese local government bonds	5,525,117	5,550,379	45,977,507
Japanese corporate bonds	10,983,036	11,384,142	91,395,829
Other securities	32,894,591	22,732,273	273,733,803
Loans (Notes 22 and 25):	2,783,985	3,076,325	23,167,061
Loans on deeds	2,549,816	2,830,118	21,218,409
Overdrafts	234,169	246,206	1,948,651
Foreign exchanges (Note 3)	49,332	30,659	410,524
Other assets (Notes 4, 8 and 22)	1,603,912	1,529,309	13,347,030
Tangible fixed assets (Note 5)	179,933	144,588	1,497,325
Intangible fixed assets (Note 6)	47,971	58,725	399,200
Customers' liabilities for acceptances and guarantees (Note 7)	95,000	115,000	790,546
Reserve for possible loan losses (Note 22)	(1,055)	(1,127)	(8,785)
Total assets	¥208,179,309	¥202,512,882	\$1,732,373,387

See notes to non-consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Liabilities:			
Deposits (Notes 8, 9 and 22)	¥177,710,776	¥176,612,780	\$1,478,828,129
Payables under securities lending transactions (Notes 8 and 22)	13,570,198	10,667,591	112,925,012
Foreign exchanges (Note 3)	266	249	2,213
Other liabilities (Notes 10 and 22)	3,576,119	2,511,110	29,758,840
Reserve for bonuses	5,581	5,566	46,444
Reserve for employees' retirement benefits (Note 26)	150,466	136,848	1,252,115
Deferred tax liabilities (Note 27)	1,440,688	999,212	11,988,756
Acceptances and guarantees (Notes 7 and 8)	95,000	115,000	790,546
Total liabilities	196,549,097	191,048,358	1,635,592,059
Contingent liabilities (Note 11)			
Net assets (Note 18):			
Capital stock (Note 12)	3,500,000	3,500,000	29,125,405
Capital surplus	4,296,285	4,296,285	35,751,734
Retained earnings	1,968,617	1,702,007	16,381,940
Treasury stock	(1,299,999)	—	(10,818,002)
Total shareholders' equity	8,464,904	9,498,293	70,441,078
Net unrealized gains (losses) on available-for-sale securities (Note 23)	3,824,643	2,563,134	31,826,940
Net deferred gains (losses) on hedges	(659,335)	(596,903)	(5,486,691)
Total valuation and translation adjustments	3,165,307	1,966,231	26,340,248
Total net assets	11,630,212	11,464,524	96,781,327
Total liabilities and net assets	¥208,179,309	¥202,512,882	\$1,732,373,387

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income:			
Interest income:	¥1,893,273	¥1,827,610	\$15,754,955
Interest on loans	31,127	37,954	259,025
Interest and dividends on securities	1,826,086	1,768,384	15,195,860
Interest on call loans	4,754	3,473	39,563
Interest on receivables under securities borrowing transactions	7,877	8,076	65,549
Interest on deposits with banks	22,680	9,031	188,739
Other interest income	747	688	6,216
Fees and commissions:	119,429	121,116	993,835
Fees and commissions on domestic and foreign exchanges	60,834	64,156	506,233
Other fees and commissions	58,595	56,960	487,602
Other operating income (Note 13)	10,809	20,487	89,954
Other income (Note 14)	57,675	107,183	479,949
Total income	2,081,187	2,076,397	17,318,696
Expenses:			
Interest expenses:	356,780	361,747	2,968,968
Interest on deposits	241,707	255,035	2,011,381
Interest on call money	9	—	80
Interest on payables under securities lending transactions	14,889	13,053	123,902
Interest on borrowings	—	0	—
Interest on interest rate swaps	99,372	92,906	826,932
Other interest expenses	801	751	6,671
Fees and commissions:	30,177	28,426	251,122
Fees and commissions on domestic and foreign exchanges	3,308	2,963	27,533
Other fees and commissions	26,868	25,462	223,589
Other operating expenses (Note 15)	6,086	14,731	50,651
General and administrative expenses (Note 16)	1,113,654	1,095,016	9,267,327
Other expenses (Note 17)	3,453	12,010	28,740
Total expenses	1,510,153	1,511,930	12,566,811
Income before income taxes	571,034	564,467	4,751,885
Income taxes (Note 27):			
Current	182,658	187,855	1,519,997
Deferred	18,941	21,946	157,621
Total income taxes	201,599	209,802	1,677,619
Net income	¥ 369,434	¥ 354,664	\$ 3,074,265

Per Share of Common Stock

	Yen		U.S. dollars (Note 1)
	2015	2014	2015
Basic net income (Note 31)	¥2,687.63	¥2,364.43	\$22.36

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the years ended March 31, 2015 and 2014

2015

	Millions of yen									
	Shareholders' equity				Valuation and translation adjustments				Total net assets	
	Capital stock	Capital surplus		Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges		Total valuation and translation adjustments
		Legal capital surplus	Other retained earnings							
Retained earnings brought forward										
Balance at the beginning 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	
Cumulative effect of a change in accounting policies			(8,837)		(8,837)				(8,837)	
Balance including a change in accounting policies at the beginning of the fiscal year	3,500,000	4,296,285	1,693,170	—	9,489,456	2,563,134	(596,903)	1,966,231	11,455,687	
Changes during the fiscal year:										
Cash dividends			(93,987)		(93,987)				(93,987)	
Net income			369,434		369,434				369,434	
Repurchase of treasury stock				(1,299,999)	(1,299,999)				(1,299,999)	
Net changes in items other than shareholders' equity						1,261,508	(62,432)	1,199,076	1,199,076	
Total changes during the fiscal year	—	—	275,447	(1,299,999)	(1,024,551)	1,261,508	(62,432)	1,199,076	174,524	
Balance at the end of the fiscal year	¥3,500,000	¥4,296,285	¥1,968,617	¥(1,299,999)	¥ 8,464,904	¥3,824,643	¥(659,335)	¥3,165,307	¥11,630,212	

2015

	Thousands of U.S. dollars (Note 1)									
	Shareholders' equity				Valuation and translation adjustments				Total net assets	
	Capital stock	Capital surplus		Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges		Total valuation and translation adjustments
		Legal capital surplus	Other retained earnings							
Retained earnings brought forward										
Balance at the beginning of the fiscal year	\$29,125,405	\$35,751,734	\$14,163,331	\$ —	\$ 79,040,471	\$21,329,239	\$(4,967,160)	\$16,362,078	\$ 95,402,550	
Cumulative effect of a change in accounting policies			(73,539)		(73,539)				(73,539)	
Balance including a change in accounting policies at the beginning of the fiscal year	29,125,405	35,751,734	14,089,791	—	78,966,932	21,329,239	(4,967,160)	16,362,078	95,329,010	
Changes during the fiscal year:										
Cash dividends			(782,117)		(782,117)				(782,117)	
Net income			3,074,265		3,074,265				3,074,265	
Repurchase of treasury stock				(10,818,002)	(10,818,002)				(10,818,002)	
Net changes in items other than shareholders' equity						10,497,701	(519,531)	9,978,170	9,978,170	
Total changes during the fiscal year	—	—	2,292,148	(10,818,002)	(8,525,853)	10,497,701	(519,531)	9,978,170	1,452,316	
Balance at the end of the fiscal year	\$29,125,405	\$35,751,734	\$16,381,940	\$(10,818,002)	\$ 70,441,078	\$31,826,940	\$(5,486,691)	\$26,340,248	\$ 96,781,327	

2014

	Millions of yen								
	Shareholders' equity				Valuation and translation adjustments				Total net assets
	Capital stock	Capital surplus		Retained earnings	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
		Legal capital surplus	Other retained earnings						
Retained earnings brought forward									
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	

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes	¥ 571,034	¥ 564,467	\$ 4,751,885
Adjustments for:			
Depreciation and amortization	34,601	33,480	287,939
Losses on impairment of fixed assets	17	65	144
Net change in reserve for possible loan losses	(72)	(54)	(601)
Net change in reserve for bonuses	15	(43)	124
Net change in reserve for employees' retirement benefits	(112)	600	(933)
Net change in reserve for directors' retirement benefits	—	(198)	—
Interest income	(1,893,273)	(1,827,610)	(15,754,955)
Interest expenses	356,780	361,747	2,968,968
Losses (gains) related to securities—net	4,592	(4,275)	38,217
Losses (gains) on money held in trust—net	(43,151)	(103,856)	(359,087)
Foreign exchange losses (gains)—net	(520,093)	(279,812)	(4,327,978)
Losses (gains) on sales and disposals of fixed assets—net	(1,561)	562	(12,993)
Net change in loans	291,104	890,310	2,422,437
Net change in deposits	1,097,995	516,644	9,137,021
Net change in negotiable certificates of deposit	(90,000)	20,000	(748,939)
Net change in call loans, etc.	(177,681)	(9,577)	(1,478,580)
Net change in receivables under securities borrowing transactions	(1,161,315)	928,763	(9,663,935)
Net change in payables under securities lending transactions	2,902,607	1,224,351	24,154,176
Net change in foreign exchange assets	(18,672)	(27,608)	(155,386)
Net change in foreign exchange liabilities	16	(23)	137
Interest received	2,060,574	2,012,796	17,147,166
Interest paid	(212,213)	(206,278)	(1,765,940)
Other—net	(152,940)	85,524	(1,272,700)
Subtotal	3,048,254	4,179,978	25,366,187
Income taxes paid	(199,193)	(205,923)	(1,657,596)
Net cash provided by operating activities	2,849,061	3,974,054	23,708,590
Cash flows from investing activities:			
Purchases of securities	(25,606,164)	(35,006,121)	(213,082,834)
Proceeds from sales of securities	2,193,557	1,851,186	18,253,782
Proceeds from maturity of securities	35,751,029	39,196,659	297,503,783
Investment in money held in trust	(160,000)	(169,900)	(1,331,447)
Proceeds from disposition of money held in trust	145,159	551,125	1,207,947
Purchases of tangible fixed assets	(29,990)	(7,773)	(249,564)
Proceeds from sales of tangible fixed assets	4,734	—	39,401
Purchases of intangible fixed assets	(6,115)	(8,640)	(50,894)
Other—net	(422)	(77)	(3,518)
Net cash provided by investing activities	12,291,787	6,406,457	102,286,655
Cash flows from financing activities:			
Cash dividends paid	(93,987)	(93,487)	(782,117)
Repurchase of treasury stock	(1,299,999)	—	(10,818,002)
Net cash used in financing activities	(1,393,986)	(93,487)	(11,600,119)
Effect of exchange rate changes on cash and cash equivalents	565	658	4,703
Net change in cash and cash equivalents	13,747,427	10,287,682	114,399,830
Cash and cash equivalents at the beginning of the fiscal year	18,848,622	8,560,940	156,849,650
Cash and cash equivalents at the end of the fiscal year (Note 19)	¥ 32,596,050	¥ 18,848,622	\$ 271,249,481

See notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2015 and 2014

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 the Enforcement of the Banking Act" (Ordinance of Ministry of Finance No. 10 of 1982), and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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

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

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

The financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.17 to US\$1.00, the approximate rate of exchange as of March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. All U.S. dollar figures in the financial statements have been rounded down to the nearest thousand dollar amount, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

2. Summary of Accounting Policies

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

- (1) Trading account securities are stated at fair value;
- (2) Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost (straight-line method) determined by the moving-average method;
- (3) Investments in affiliates are stated at cost determined by the moving-average method; and
- (4) Available-for-sale securities that are not classified as either of the aforementioned securities are primarily carried at the fiscal year-end market prices (cost of securities sold is calculated using primarily the moving-average method). Net unrealized gains and losses including foreign exchange fluctuations, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations, net of applicable income taxes, are stated in a separate component of net assets.

Securities invested in money held in trust are stated at fair value. The balance sheet amounts as of March 31, 2015 and 2014 are stated respectively at the average market price of the final month (March) of the fiscal years ended March 31, 2015 and 2014 for equity securities and at the market price at the balance sheet date for other securities (the costs of other securities sold are determined primarily based on the moving-average method). Unrealized gains and losses on these securities, net of applicable income taxes, are stated in a separate component of net assets.

- b. **Tangible Fixed Assets**—Depreciation of tangible fixed assets is computed by the straight-line method. The range of useful lives is principally from 3 to 50 years for buildings and from 2 to 75 years for others.
- c. **Intangible Fixed Assets**—The amortization of intangible fixed assets is computed by the straight-line method. Capitalized cost of computer software developed and obtained for internal use is amortized over the estimated useful life (mainly 5 years).

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

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

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

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

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

- f. **Reserve for Employees' Retirement Benefits**—The reserve for employees' retirement benefits, which is provided for future payments to employees, is recorded in the amount deemed accrued based on the projected benefit obligation at the end of the fiscal year ended March 31, 2015. The method of attributing projected benefit obligation to periods ending on or before March 31, 2015 is by the benefit formula basis.

Prior service cost is amortized using the straight-line method for a fixed period (10 years), within the employees' average remaining service period.

Actuarial gains and losses are amortized using the straight-line method for a fixed period (10 years), within the employees' average remaining service period, from the following year after they are incurred. (Additional Information)

The Bank revised its internal retirement benefit rule over the lump-sum retirement payment plan from the final salary basis to the point basis effective from the beginning of April 1, 2015. As a result, projected benefit obligation decreased and prior service cost (benefit) of ¥11,612 million (\$96,630 thousand) was recorded. Prior service cost is amortized using the straight-line method for a fixed period (10 years), within the employees' average remaining service period.

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.

The Bank applies the deferred hedge accounting method for hedges of interest rate risk on its monetary assets.

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

Hedging against foreign exchange fluctuation risks:

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

In order to hedge risk arising from volatility of exchange rates for securities denominated in foreign currencies, the Bank applies portfolio hedges, on the conditions that the hedged foreign securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged foreign securities denominated in the same foreign currencies.

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

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. Changes in Accounting Policies—Application of "Accounting Standard for Retirement Benefits," etc. The Bank has adopted the paragraph 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 released on May 17, 2012, hereinafter "the Standard") and the paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 released on March 26, 2015, hereinafter "the Guidance") from the beginning of the fiscal year ended March 31, 2015. Following the adoption of the Standard and the Guidance, the Bank amended the method of determining retirement benefit obligations and current service costs. As part of the amendment, the Bank revised the method of attributing expected retirement benefits to periods from straight-line basis to benefit formula basis. In addition, the method of determining the discount rates applied in the calculation of projected benefit obligation was changed from the method using the number of years approximate to the employees' average remaining service period to the method using the single weighted average discount rate that reflects the estimated period and amount of benefit payment in each period.

The Standard is being applied transitionally as determined in its paragraph 37. At the beginning of the fiscal year ended March 31, 2015, the effect of the change in accounting standard is stated as an increase or decrease of remeasurements of retirement benefit obligations and current service costs under retained earnings.

As a result, reserve for employees' retirement benefits increased ¥13,730 million (\$114,260 thousand), deferred tax liabilities declined ¥4,893 million (\$40,721 thousand), and retained earnings decreased ¥8,837 million (\$73,539 thousand) from the beginning of the fiscal year ended March 31, 2015. Meanwhile, the impact on income before income taxes for the fiscal year ended March 31, 2015 was immaterial.

The impact on per share data is stated on the below Note 31. Per Share Data.

3. Foreign Exchanges

Foreign exchanges as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Assets:			
Due from foreign banks	¥49,307	¥30,630	\$410,311
Foreign bills bought and foreign exchanges purchased	25	29	212
Total	¥49,332	¥30,659	\$410,524
Liabilities:			
Foreign bills sold	¥ —	¥ 43	\$ —
Foreign bills payable	266	206	2,213
Total	¥ 266	¥ 249	\$ 2,213

4. Other Assets

Other assets as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Domestic exchange settlement accounts—debit	¥ 17,970	¥ 18,431	\$ 149,546
Prepaid expenses	5,632	7,751	46,873
Accrued income	308,773	345,089	2,569,469
Derivatives other than trading	69,911	5,172	581,770
Advance payments of funds necessary for delivery of deposits in bank agency services	1,020,000	1,020,000	8,487,975
Other	181,624	132,864	1,511,395
Total	¥1,603,912	¥1,529,309	\$13,347,030

5. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Buildings	¥109,227	¥107,165	\$ 908,941
Land	59,034	26,953	491,261
Construction in progress	3,911	363	32,551
Other tangible fixed assets	163,917	173,234	1,364,043
Subtotal	336,091	307,716	2,796,798
Accumulated depreciation	156,157	163,128	1,299,472
Total	¥179,933	¥144,588	\$1,497,325

6. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Software	¥101,680	¥100,473	\$846,135
Other intangible fixed assets	8,449	6,465	70,309
Subtotal	110,129	106,939	916,444
Accumulated depreciation	62,157	48,214	517,243
Total	¥ 47,971	¥ 58,725	\$399,200

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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Assets pledged as collateral:			
Securities	¥34,123,289	¥34,935,490	\$283,958,472
Liabilities corresponding to assets pledged as collateral:			
Deposits	22,088,270	26,038,039	183,808,524
Payables under securities lending transactions	13,570,198	10,667,591	112,925,012
Acceptances and guarantees	95,000	115,000	790,546

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 ¥4,907,935 million (\$40,841,607 thousand) and ¥5,960,122 million as of March 31, 2015 and 2014, respectively.

"Other assets" included guarantee deposits of ¥1,523 million (\$12,679 thousand) and ¥2,180 million, as of March 31, 2015 and 2014, respectively.

9. Deposits

Deposits as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Transfer deposits	¥ 11,747,374	¥ 10,925,669	\$ 97,756,299
Ordinary deposits	46,140,042	45,238,071	383,956,412
Savings deposits	393,443	396,371	3,274,061
Time deposits	13,569,920	14,781,463	112,922,694
Special deposits*	22,072,518	26,021,946	183,677,441
TEIGAKU deposits**	83,583,379	78,994,737	695,542,814
Other deposits	204,097	254,519	1,698,407
Total	¥177,710,776	¥176,612,780	\$1,478,828,129

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

**"TEIGAKU deposits" are a kind of 10-year-maturity time deposits unique to the Bank. The key feature is that depositors have the option to withdraw money anytime six months after the initial deposit. The interest rates on such deposits rise every six months in a staircase pattern, with duration of up to three years. After three years, the interest is compounded using fixed interest rates until the maturity of 10 years.

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

10. Other Liabilities

Other liabilities as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Domestic exchange settlement accounts—credit	¥ 22,498	¥ 25,576	\$ 187,225
Income taxes payable	35,121	25,749	292,267
Accrued expenses	1,393,247	1,242,505	11,593,973
Unearned income	89	110	747
Derivatives other than trading	1,036,631	990,873	8,626,371
Asset retirement obligations	368	614	3,069
Accounts payable	1,059,611	196,213	8,817,605
Other	28,549	29,466	237,577
Total	¥3,576,119	¥2,511,110	\$29,758,840

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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
One year or less	¥3,928	¥ 4,332	\$32,691
Over one year	3,439	6,742	28,624
Total	¥7,368	¥11,075	\$61,316

12. Capital Stock

Capital stock consists of common stock. Common stock as of March 31, 2015 and 2014 were as follows:

	Number of shares			
	2015		2014	
	Authorized	Issued	Authorized	Issued
Common stock	600,000,000	150,000,000	600,000,000	150,000,000

13. Other Operating Income

Other operating income for the fiscal years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Gains on foreign exchanges	¥ 9,300	¥ 1,480	\$77,395
Gains on sales of bonds	1,494	9,207	12,433
Gains on redemption of bonds	—	9,799	—
Income from derivatives other than for trading or hedging	15	—	124
Total	¥10,809	¥20,487	\$89,954

14. Other Income

Other income for the fiscal years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Reversal of reserve for possible loan losses	¥ 39	¥ 37	\$ 332
Recoveries of written-off claims	43	22	364
Gains on money held in trust	43,151	103,858	359,087
Gains on sales and disposals of fixed assets	3,008	—	25,034
Other	11,431	3,265	95,130
Total	¥57,675	¥107,183	\$479,949

15. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Losses on sales of bonds	¥5,480	¥14,731	\$45,606
Losses on redemption of bonds	606	—	5,045
Total	¥6,086	¥14,731	\$50,651

16. General and Administrative Expenses

General and administrative expenses for the fiscal years ended March 31, 2015 and 2014 included the following expenses:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Commissions on bank agency services paid to JAPAN POST Co., Ltd.	¥602,446	¥607,266	\$5,013,282
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	103,695	99,898	862,907

17. Other Expenses

Other expenses for the fiscal years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Losses on money held in trust	¥ —	¥ 2	\$ —
Losses on sales and disposals of fixed assets	1,446	562	12,041
Losses on impairment of fixed assets	17	65	144
Other	1,989	11,379	16,554
Total	¥3,453	¥12,010	\$28,740

18. Shareholders' Equity

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

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

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

Type and number of shares issued and treasury stock for the fiscal years ended March 31, 2015 were as follows:

	Thousand shares				Notes
	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year	
Shares issued Common stock	150,000	—	—	150,000	—
Treasury stock Common stock	—	25,017	—	25,017	(*)

*An increase of the treasury stock of 25,017 thousand shares is due to the part of the capital strategy of JAPAN POST GROUP by JAPAN POST HOLDINGS Co., Ltd. The Bank's board of directors made a decision on September 18, 2014 to repurchase the Bank's own shares from JAPAN POST HOLDINGS Co., Ltd. as of September 30, 2014, given that the same decision was made at the Bank's shareholders' meeting on September 17, 2014.

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

	Thousand shares				Notes
	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year	
Shares issued Common stock	150,000	—	—	150,000	—
Treasury stock Common stock	—	—	—	—	—

Dividends distributed during the fiscal year ended March 31, 2015

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	\$782,117	¥626.58	\$5.21	March 31, 2014	May 12, 2014

Dividends distributed during the fiscal year ended March 31, 2014

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

Dividends with the record date within the fiscal years ended March 31, 2015 and 2014 and with the effective date coming after the end of the fiscal years

		2015					
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 11, 2015	Common stock	¥184,717	\$1,537,138	¥1,477.95	\$12.29	March 31, 2015	May 12, 2015

		2014			
Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 9, 2014	Common stock	¥93,987	¥626.58	March 31, 2014	May 12, 2014

19. Cash and Cash Equivalents

The reconciliation between cash and cash equivalents in the statements of cash flows and cash and due from banks in the balance sheets as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and due from banks	¥33,301,050	¥19,463,622	\$277,116,170
Due from banks, –negotiable certificates of deposit in other banks	(705,000)	(615,000)	(5,866,688)
Cash and cash equivalents	¥32,596,050	¥18,848,622	\$271,249,481

20. Leases

Operating lease transactions:

Future lease payments on non-cancelable operating leases as of March 31, 2015 and 2014 were as follows:

(Lessees)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 422	¥ 759	\$ 3,514
Due over one year	2,104	1,949	17,509
Total	¥2,526	¥2,709	\$21,024

(Lessors)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥20	¥—	\$169
Due over one year	61	—	508
Total	¥81	¥—	\$678

21. Securities

As of the end of the fiscal year ended March 31, 2015 and 2014, Japanese government bonds include ¥301,181 million (\$2,506,293 thousand) and ¥100,660 million of secured loaned securities for which borrowers have the right to sell or pledge (securities collateralized bond lending/borrowing transactions).

As of the end of the fiscal years ended March 31, 2015 and 2014, the Bank had the right to sell or pledge without restriction for securities held amounting to ¥8,377,060 million (\$69,710,082 thousand) and ¥7,214,612 million among securities borrowed under contract of loan for consumption (securities borrowing transactions) and those borrowed with cash collateral under securities lending agreements.

22. Financial Instruments

a. Notes related to the conditions of financial instruments

(1) Policy for handling financial instruments

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

The Bank raises funds primarily through deposits from individuals, and subsequently manages those funds by investing in securities including Japanese bonds, which consist of Japanese government bonds, etc., and foreign bonds, etc., as well as by making loans. Most of these financial assets and liabilities are subject to price fluctuations associated with interest rate movements and other risks, making it necessary to manage them so that future interest rate and foreign exchange rate movements do not have a negative impact on the Bank including affecting the stability of its earnings. The Bank therefore strives to appropriately manage its earnings and risks using integrated asset-liability management (ALM), and as part of this, engages in derivative transactions including interest rate swaps, currency swaps and others.

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

(2) Details of financial instruments and associated risks

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

From the viewpoint of the Bank's ALM, the Bank utilizes interest rate swaps as hedging instruments for interest rate-related 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 securities held by the Bank and related yen translation amounts of redemption of principal and interest.

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

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

(3) Risk management structure for financial instruments

a) Basic policy

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

b) Credit risk

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

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

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

c) Market risk

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

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

The Bank measures and manages market risk using the VaR method. For its market risk measurement model, the Bank uses a historical simulation method (holding period of 240 operating days (one year); confidence interval of 99%; and observation period of 1,200 days (five years)). For liability measurement, the Bank uses its own internal model.

As of March 31, 2015 and 2014, the Bank calculates the amounts of its market risk volume (estimated potential losses from such risk) as ¥1,866,712 million (\$15,533,929 thousand) and ¥2,692,520 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, 2015 and 2014 were as follows.

	Millions of yen		
	2015		
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 33,301,050	¥ 33,301,050	¥ —
(2) Call loans	1,961,526	1,961,526	—
(3) Receivables under securities borrowing transactions	8,374,084	8,374,084	—
(4) Monetary claims bought	122,032	122,032	—
(5) Trading account securities:			
Securities classified as trading purposes	104	104	—
(6) Money held in trust	3,491,637	3,491,637	—
(7) Securities:			
Held-to-maturity securities	66,474,578	68,695,383	2,220,804
Available-for-sale securities	89,694,278	89,694,278	—
(8) Loans:	2,783,985		
Reserve for possible loan losses*	(122)		
	2,783,863	2,862,727	78,864
Total assets	¥206,203,156	¥208,502,825	¥2,299,668
(1) Deposits	¥177,710,776	¥178,233,509	¥ 522,733
(2) Payables under securities lending transactions	13,570,198	13,570,198	—
Total liabilities	¥191,280,975	¥191,803,708	¥ 522,733
Derivative transactions**:			
For which hedge accounting is not applied	¥ 501	¥ 501	¥ —
For which hedge accounting is applied	(967,220)	(967,220)	—
Total derivative transactions	¥ (966,719)	¥ (966,719)	¥ —

	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)	¥ —

	Thousands of U.S. dollars		
	2015		
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	\$ 277,116,170	\$ 277,116,170	\$ —
(2) Call loans	16,322,931	16,322,931	—
(3) Receivables under securities borrowing transactions	69,685,320	69,685,320	—
(4) Monetary claims bought	1,015,499	1,015,499	—
(5) Trading account securities:			
Securities classified as trading purposes	866	866	—
(6) Money held in trust	29,055,819	29,055,819	—
(7) Securities:			
Held-to-maturity securities	553,171,164	571,651,689	18,480,525
Available-for-sale securities	746,394,929	746,394,929	—
(8) Loans:	23,167,061		
Reserve for possible loan losses*	(1,021)		
	23,166,039	23,822,312	656,272
Total assets	\$1,715,928,742	\$1,735,065,539	\$19,136,797
(1) Deposits	\$1,478,828,129	\$1,483,178,079	\$ 4,349,950
(2) Payables under securities lending transactions	112,925,012	112,925,012	—
Total liabilities	\$1,591,753,142	\$1,596,103,092	\$ 4,349,950
Derivative transactions**:			
For which hedge accounting is not applied	\$ 4,169	\$ 4,169	\$ —
For which hedge accounting is applied	(8,048,770)	(8,048,770)	—
Total derivative transactions	\$ (8,044,601)	\$ (8,044,601)	\$ —

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

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

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

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

Valuation methodology for financial instruments

Assets

(1) Cash and due from banks

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

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

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

(4) Monetary claims bought

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

(5) Trading account securities

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

(6) Money held in trust

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

Notes pertaining to money held in trust by holding purpose are included in the below “h. Money held in trust” of Note 23. Fair Value Information.

(7) Securities

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

Notes pertaining to securities by holding purpose are included in the below Note 23. Fair Value Information for Securities.

(8) Loans

Loans with floating interest rates reflect market interest rates within the short term. Unless a borrower's credit standing has changed significantly after the loan was originated, the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value. For fixed-rate loans, the Bank calculates the fair value for each loan based on total principal and interest amounts discounted at the interest rate that reflects the remaining tenor and credit risk of the borrower.

For loans that are limited to within a designated percentage of the amount of pledged assets, such as loans secured by deposit, the fair value is approximately the same as the book value based on the repayment period, interest rate conditions, etc., and therefore the Bank uses the book value as the fair value.

Liabilities

(1) Deposits

For demand deposits including transfer deposits and ordinary deposits, the Bank uses the amount that might be paid on demand at the balance sheet date (the book value) as the fair value.

For fixed-term deposits including time deposits and TEIGAKU deposits, the Bank classifies the deposits by specified tenors and then calculates the present value by discounting the projected future cash flow. In addition, for TEIGAKU deposits, the projected future cash flow reflects an early cancellation rate calculated using historical results. The Bank uses the interest rates on newly accepted fixed-term deposits as the discount rate.

(2) 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.

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, 2015 and 2014 were as follows. The fair value information for these financial instruments is not included in "Assets (7) Securities."

Type	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Securities of affiliates (unlisted)	¥935	¥935	\$7,780

Scheduled redemption amounts of monetary claims and securities with a maturity date subsequent to the fiscal years ended March 31, 2015 and 2014 were as follows:

	Millions of yen					
	2015					
	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	¥33,164,580	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	1,961,526	—	—	—	—	—
Receivables under securities borrowing transactions	8,374,084	—	—	—	—	—
Monetary claims bought	7	24,768	47,139	15,113	5,224	28,635
Securities:	24,695,223	42,107,891	26,056,732	20,408,796	23,231,576	3,209,629
Held-to-maturity securities:	14,431,995	20,899,402	10,887,190	9,031,200	11,197,770	—
Japanese government bonds	12,990,000	18,779,940	9,351,100	9,031,200	10,730,100	—
Japanese local government bonds	403,851	341,284	—	—	—	—
Japanese corporate bonds	998,290	1,713,866	1,503,657	—	467,670	—
Other securities	39,853	64,311	32,433	—	—	—
Available-for-sale securities (with maturity date):	10,263,228	21,208,489	15,169,542	11,377,596	12,033,806	3,209,629
Japanese government bonds	6,128,818	13,940,178	5,829,696	7,068,912	9,492,924	1,887,000
Japanese local government bonds	597,668	722,433	1,513,918	1,231,729	510,673	31,608
Japanese corporate bonds	1,044,432	1,081,430	1,923,685	667,825	296,200	1,122,007
Other securities	2,492,309	5,464,448	5,902,241	2,409,128	1,734,008	169,014
Loans	706,403	718,947	606,119	309,032	293,342	145,921
Total	¥68,901,827	¥42,851,606	¥26,709,991	¥20,732,942	¥23,530,143	¥3,384,186

	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

	Thousands of U.S. dollars					
	2015					
	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	\$275,980,533	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans	16,322,931	—	—	—	—	—
Receivables under securities borrowing transactions	69,685,320	—	—	—	—	—
Monetary claims bought	63	206,111	392,273	125,766	43,476	238,291
Securities:	205,502,403	350,402,691	216,832,257	169,832,707	193,322,596	26,709,077
Held-to-maturity securities:	120,096,489	173,915,303	90,598,235	75,153,532	93,182,741	—
Japanese government bonds	108,096,862	156,278,106	77,815,594	75,153,532	89,291,004	—
Japanese local government bonds	3,360,669	2,840,009	—	—	—	—
Japanese corporate bonds	8,307,318	14,262,017	12,512,748	—	3,891,736	—
Other securities	331,638	535,170	269,892	—	—	—
Available-for-sale securities (with maturity date):	85,405,913	176,487,387	126,234,021	94,679,175	100,139,855	26,709,077
Japanese government bonds	51,001,235	116,003,812	48,512,078	58,824,269	78,995,793	15,702,754
Japanese local government bonds	4,973,523	6,011,758	12,598,137	10,249,895	4,249,595	263,027
Japanese corporate bonds	8,691,287	8,999,168	16,008,037	5,557,337	2,464,841	9,336,834
Other securities	20,739,867	45,472,647	49,115,768	20,047,672	14,429,624	1,406,461
Loans	5,878,371	5,982,750	5,043,854	2,571,626	2,441,059	1,214,289
Total	\$573,369,623	\$356,591,553	\$222,268,385	\$172,530,100	\$195,807,132	\$28,161,659

Scheduled repayment amounts of interest-bearing liabilities subsequent to fiscal years ended March 31, 2015 and 2014 were as follows:

	Millions of yen					
	2015					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	¥74,857,459	¥25,572,162	¥20,968,406	¥28,693,665	¥27,619,083	¥—
Payables under securities lending transactions	13,570,198	—	—	—	—	—
Total	¥88,427,658	¥25,572,162	¥20,968,406	¥28,693,665	¥27,619,083	¥—

	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	¥—

	Thousands of U.S. dollars					
	2015					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	\$622,929,678	\$212,799,883	\$174,489,526	\$238,775,611	\$229,833,429	\$—
Payables under securities lending transactions	112,925,012	—	—	—	—	—
Total	\$735,854,691	\$212,799,883	\$174,489,526	\$238,775,611	\$229,833,429	\$—

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

23. Fair Value Information

The fair value information of securities was as follows.

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

a. Trading account securities

There were no unrealized gains or losses from trading account securities included in the profit and loss recorded in the statements of income for the fiscal years ended March 31, 2015 and 2014.

b. Held-to-maturity securities

		Millions of yen		
		2015		
	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	¥60,906,077	¥62,974,374	¥2,068,297
	Japanese local government bonds	744,647	757,388	12,740
	Japanese corporate bonds	4,322,636	4,457,149	134,512
	Others:	136,597	189,458	52,860
	Foreign bonds	136,597	189,458	52,860
	Total	66,109,959	68,378,371	2,268,411
Those for which the fair value does not exceed the amount on the balance sheet	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	364,619	364,584	(34)
	Others:	—	—	—
	Foreign bonds	—	—	—
	Total	364,619	364,584	(34)
Total		¥66,474,578	¥68,742,956	¥2,268,377

		Millions of yen		
		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
	Foreign bonds	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:	—	—	—
	Foreign bonds	—	—	—
	Total	2,194,220	2,194,100	(119)
Total		¥89,602,957	¥92,138,626	¥2,535,669

		Thousands of U.S. dollars		
		2015		
	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	\$506,832,635	\$524,044,061	\$17,211,425
	Japanese local government bonds	6,196,619	6,302,641	106,022
	Japanese corporate bonds	35,971,013	37,090,369	1,119,355
	Others:	1,136,701	1,576,586	439,884
	Foreign bonds	1,136,701	1,576,586	439,884
	Total	550,136,970	569,013,658	18,876,688
Those for which the fair value does not exceed the amount on the balance sheet	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	3,034,194	3,033,908	(285)
	Others:	—	—	—
	Foreign bonds	—	—	—
	Total	3,034,194	3,033,908	(285)
Total		\$553,171,164	\$572,047,567	\$18,876,402

c. Investments in subsidiaries and affiliates

As of March 31, 2015 and 2014, there were no investments in subsidiaries.

The securities of affiliates (¥935 million (\$7,780 thousand) as of March 31, 2015 and ¥935 million as of March 31, 2014) 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

		Millions of yen		
		2015		
	Type	Amount on the balance sheet	Acquisition cost	Difference (Note 1)
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	¥52,716,400	¥51,072,342	¥1,644,058
	Japanese government bonds	42,770,872	41,387,059	1,383,812
	Japanese local government bonds	4,496,637	4,377,102	119,535
	Japanese corporate bonds	5,448,890	5,308,180	140,710
	Others:	30,315,529	26,833,415	3,482,114
	Foreign bonds	17,257,138	14,067,503	3,189,634
	Investment trusts (Note 2)	12,953,121	12,682,650	270,471
	Total	83,031,930	77,905,757	5,126,172
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	4,220,819	4,225,819	(5,000)
	Japanese government bonds	3,090,097	3,091,876	(1,778)
	Japanese local government bonds	283,831	284,395	(563)
	Japanese corporate bonds	846,889	849,547	(2,657)
	Others:	3,268,561	3,313,172	(44,610)
	Foreign bonds	1,423,970	1,462,769	(38,799)
	Investment trusts (Note 2)	1,014,595	1,020,159	(5,564)
	Total	7,489,380	7,538,991	(49,610)
Total		¥90,521,311	¥85,444,748	¥5,076,562

		Millions of yen		
		2014		
	Type	Amount on the balance sheet	Acquisition cost	Difference (Note 1)
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	¥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
	Foreign bonds	13,632,520	11,656,674	1,975,845
	Investment trusts (Note 2)	7,666,625	7,419,620	247,004
	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)
	Foreign bonds	734,863	739,058	(4,195)
	Investment trusts (Note 2)	453,957	455,089	(1,131)
	Total	4,417,811	4,433,453	(15,641)
Total		¥77,131,266	¥73,473,970	¥3,657,295

		Thousands of U.S. dollars		
		2015		
	Type	Amount on the balance sheet	Acquisition cost	Difference (Note 1)
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	\$438,681,874	\$425,000,767	\$13,681,107
	Japanese government bonds	355,919,714	344,404,256	11,515,458
	Japanese local government bonds	37,418,971	36,424,254	994,717
	Japanese corporate bonds	45,343,188	44,172,256	1,170,932
	Others:	252,272,026	223,295,458	28,976,567
	Foreign bonds	143,606,046	117,063,357	26,542,689
	Investment trusts (Note 2)	107,789,979	105,539,241	2,250,737
	Total	690,953,900	648,296,225	42,657,675
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	35,123,733	35,165,341	(41,607)
	Japanese government bonds	25,714,383	25,729,184	(14,800)
	Japanese local government bonds	2,361,916	2,366,607	(4,690)
	Japanese corporate bonds	7,047,432	7,069,549	(22,117)
	Others:	27,199,482	27,570,711	(371,228)
	Foreign bonds	11,849,636	12,172,504	(322,867)
	Investment trusts (Note 2)	8,442,998	8,489,300	(46,302)
	Total	62,323,216	62,736,053	(412,836)
	Total	\$753,277,117	\$711,032,279	\$42,244,838

Notes: 1. Of the difference shown above, ¥591,487 million (\$4,922,088 thousand) and ¥330,537 million are respectively included in the statements of income as profit for the fiscal year ended March 31, 2015 and 2014 because of the application of fair value hedge accounting.
2. Investment trusts are mainly invested in foreign bonds.

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

There were no held-to-maturity securities sold during the fiscal years ended March 31, 2015 and 2014.

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

Available-for-sale securities sold during the fiscal years ended March 31, 2015 and 2014 consisted of the following:

		Millions of yen		
		2015		
		Sales proceeds	Total realized gains	Total realized losses
Bonds:		¥1,947,642	¥ 287	¥(5,393)
Japanese government bonds		1,945,276	287	(4,855)
Japanese corporate bonds		2,365	—	(538)
Others:		253,151	1,206	(86)
Foreign bonds		253,151	1,206	(86)
	Total	¥2,200,793	¥1,494	¥(5,480)

		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)
Foreign bonds		278,672	233	(6,335)
	Total	¥1,851,186	¥9,207	¥(14,731)

	Thousands of U.S. dollars		
	2015		
	Sales proceeds	Total realized gains	Total realized losses
Bonds:	\$16,207,393	\$ 2,391	\$(44,883)
Japanese government bonds	16,187,708	2,391	(40,402)
Japanese corporate bonds	19,684	—	(4,481)
Others:	2,106,611	10,042	(722)
Foreign bonds	2,106,611	10,042	(722)
Total	\$18,314,004	\$12,433	\$(45,606)

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, 2015 and 2014.

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

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

h. Money held in trust

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, 2015 and 2014.

Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2015 and 2014 were as follows:

	Millions of yen				
	2015				
	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	¥3,491,637	¥2,320,742	¥1,170,895	¥1,173,132	¥(2,237)

	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)

	Thousands of U.S. dollars				
	2015				
	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	\$29,055,819	\$19,312,159	\$9,743,660	\$9,762,275	\$(18,615)

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. Impairment losses for the fiscal years ended March 31, 2015 and 2014 amounted to ¥549 million (\$4,574 thousand) and ¥840 million, respectively.

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

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

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

Unrealized gains (losses) on available-for-sale securities as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Valuation differences:	¥ 5,655,970	¥ 3,982,440	\$ 47,066,409
Available-for-sale securities	4,485,074	3,326,757	37,322,749
Available-for-sale money held in trust	1,170,895	655,682	9,743,660
Deferred tax assets (liabilities)	(1,831,326)	(1,419,306)	(15,239,468)
Unrealized gains (losses) on available-for-sale securities	¥ 3,824,643	¥ 2,563,134	\$ 31,826,940

Note: Of the difference shown above, ¥591,487 million (\$4,922,088 thousand) and ¥330,537 million are respectively included in the statements of income as profit for the fiscal year ended March 31, 2015 and 2014 because of the application of fair value hedge accounting.

24. Derivatives

a. Derivatives for which hedge accounting is not applied as of March 31, 2015 and 2014

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, 2015 and 2014

(2) Currency-related derivatives

		Millions of yen			
		2015			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—sold	¥ 7,230	¥—	¥ (16)	¥ (16)
	Foreign exchange forward contracts—bought	120,192	—	517	517
Total		—	—	¥501	¥501

		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

		Thousands of U.S. dollars			
		2015			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—sold	\$ 60,170	\$—	\$ (135)	\$ (135)
	Foreign exchange forward contracts—bought	1,000,184	—	4,304	4,304
Total		—	—	\$4,169	\$4,169

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, 2015 and 2014

(4) Bond-related derivatives: None as of March 31, 2015 and 2014

(5) Commodity-related derivatives: None as of March 31, 2015 and 2014

(6) Credit derivatives: None as of March 31, 2015 and 2014

b. Derivatives for which hedge accounting is applied as of March 31, 2015 and 2014

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

			Millions of yen		
			2015		
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap instruments: Pay fixed swaps, receive floating swaps	Available-for-sale securities: (Japanese government bonds and foreign securities)	¥2,940,067	¥2,940,067	¥(295,168)
Total			—	—	¥(295,168)

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	Thousands of U.S. dollars		
			2015		
			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)	\$24,465,900	\$24,465,900	\$(2,456,261)
Total			—	—	\$(2,456,261)

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		
			2015		
			Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Currency swap	Available-for-sale securities: (Foreign securities)	¥2,913,732	¥2,118,969	¥(676,266)
	Foreign exchange forward contracts—sold		153,648	80,937	(49,456)
	Foreign exchange forward contracts—bought		3,572	—	43
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	1,553,307	—	53,627
Accounting method translating foreign currency receivables at forward rates	Currency swap	Held-to maturity securities: (Foreign securities)	59,220	59,220	(Note 3)
	Foreign exchange forward contracts—sold		82,388	39,121	
Total			—	—	¥(672,051)

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	Currency swap	Available-for-sale securities: (Foreign securities)	¥2,721,308	¥2,175,135	¥(718,218)
	Foreign exchange forward contracts—sold		244,301	153,648	(62,151)
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	Currency swap	Held-to maturity securities: (Foreign securities)	59,220	59,220	(Note 3)
	Foreign exchange forward contracts—sold		115,726	82,388	
Total			—	—	¥(784,088)

			Thousands of U.S. dollars		
			2015		
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Currency swap	Available-for-sale securities: (Foreign securities)	\$24,246,757	\$17,633,099	\$(5,627,583)
	Foreign exchange forward contracts—sold		1,278,592	673,524	(411,550)
	Foreign exchange forward contracts—bought		29,730	—	361
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	12,925,916	—	446,263
Accounting method translating foreign currency receivables at forward rates	Currency swap	Held-to maturity securities: (Foreign securities)	492,806	492,806	(Note 3)
	Foreign exchange forward contracts—sold		685,599	325,554	
Total			—	—	\$(5,592,509)

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

(3) Equity-related derivatives: None as of March 31, 2015 and 2014

(4) Bond-related derivatives: None as of March 31, 2015 and 2014

25. 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, 2015 and 2014.

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 based on various terms and conditions stipulated in the relevant loan agreement.

There was no unused commitment balance relating to these loan agreements as of March 31, 2015. As of March 31, 2014, the unused commitment balance relating to these loan agreements amounted to ¥2,735 million. 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.

26. Reserve for Retirement Benefits

An outline of employees' retirement benefits as of March 31, 2015 and 2014 was as follows:

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

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

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
	2015	2014	2015
Projected benefit obligation at the beginning of the fiscal year	¥129,697	¥128,120	\$1,079,287
Cumulative effect of a change in accounting policies	13,730	—	114,260
Balance including a change in accounting policies at the beginning of the fiscal year	143,428	128,120	1,193,548
Service cost	7,455	6,349	62,040
Interest cost on projected benefit obligation	1,004	2,185	8,356
Net actuarial (gains) losses arising during the fiscal year	64	(49)	540
Retirement benefits paid	(7,358)	(7,230)	(61,234)
Prior service cost arising during the fiscal year	(11,612)	—	(96,630)
Others	(84)	323	(701)
Projected benefit obligation at the end of the fiscal year	¥132,898	¥129,697	\$1,105,918

Note: Prior service cost arose during the fiscal year ended March 31, 2015, due to the change over the lump-sum retirement payment plan from the final salary basis to the point basis.

(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
	2015	2014	2015
Unfunded projected benefit obligation	¥132,898	¥129,697	\$1,105,918
Unrecognized net actuarial losses	6,053	7,150	50,371
Unrecognized prior service cost	11,515	—	95,825
Net amount recorded on the balance sheet	¥150,466	¥136,848	\$1,252,115
Reserve for employees' retirement benefits	¥150,466	¥136,848	\$1,252,115
Net amount recorded on the balance sheet	150,466	136,848	1,252,115

(3) Total retirement benefit costs and components

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 7,455	¥ 6,349	\$62,040
Interest cost on projected benefit obligation	1,004	2,185	8,356
Amortization of net actuarial losses	(1,032)	(1,027)	(8,588)
Amortization of prior service cost	(96)	—	(805)
Others	165	152	1,379
Total retirement benefit costs related to the defined-benefit plan	¥ 7,496	¥ 7,660	\$62,382

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

	2015	2014
Discount rate	0.7%	1.7%

27. 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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Reserve for possible loan losses	¥ 126	¥ 179	\$ 1,052
Reserve for employees' retirement benefits	48,718	48,771	405,410
Depreciation	11,179	13,813	93,028
Accrued interest on deposits	560	12,411	4,666
Unrealized losses of money held in trust	1,901	2,103	15,827
Net deferred losses on hedges	315,120	330,528	2,622,291
Accrued enterprise taxes	6,966	5,488	57,969
Other	19,747	19,246	164,329
Total deferred tax assets	404,320	432,542	3,364,574
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(1,831,326)	(1,419,306)	(15,239,468)
Other	(13,682)	(12,448)	(113,862)
Total deferred tax liabilities	(1,845,009)	(1,431,754)	(15,353,331)
Net deferred tax assets (liabilities)	¥(1,440,688)	¥ (999,212)	\$(11,988,756)

For the fiscal years ended March 31, 2015 and 2014, the difference between the effective statutory tax rate and the effective income tax rate 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. 9 of 2015), and the "Act on Partial Revision of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015, and accordingly, the corporate income tax rate, etc. has been reduced from fiscal years beginning on or after April 1, 2015. As a result, the effective statutory tax rate used by the Bank to calculate deferred tax assets and deferred tax liabilities has been revised from 35.64% to 33.10% for the fiscal year beginning on April 1, 2015, and 32.34% for the fiscal year beginning on or after April 1, 2016. Each revised rate has been applied to the temporary differences that are expected to be deductible in the fiscal year beginning on April 1, 2015, and the fiscal year beginning on or after April 1, 2016. In response to this change in the tax rates, deferred tax liabilities decreased by ¥145,118 million (\$1,207,611 thousand), net unrealized gains on available-for-sale securities increased by ¥184,602 million (\$1,536,176 thousand) and deferred income taxes increased by ¥7,283 million (\$60,611 thousand).

28. Profit or Loss from Equity Method, etc.

The details for the fiscal years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investments in affiliates	¥ 935	¥935	\$7,780
Investments, if equity method was adopted	1,031	912	8,587
Investment gains (losses), if equity method was adopted	119	(11)	994

29. Segment Information

Segment Information

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

Related Information

a. Information about services

Information about services is omitted since income from securities investment accounted for more than 90% of the total income in the statements of income for the fiscal years ended March 31, 2015 and 2014.

b. Information about geographical areas

1) Income

Information about income by geographical area is omitted as income from external customers in Japan accounted for more than 90% of the total income in the statements of income for the fiscal years ended March 31, 2015 and 2014.

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, 2015 and 2014.

c. Information about major customers

Information about major customers is omitted as there was no single external customer that accounted for 10% or more of the total income in the statements of income for the fiscal years ended March 31, 2015 and 2014.

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

30. Related Party Transactions

a. Transactions with related parties

Transactions between the Bank and related parties for the fiscal years ended March 31, 2015 and 2014 were as follows:

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

For the fiscal year ended March 31, 2015

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

Ownership of voting rights held	100% of the Bank's shares			
Capital	¥3,500,000 million (\$29,125,405 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***	Repurchase of treasury stock****
Transaction amount	¥18,967 million (\$157,840 thousand)	¥14,898 million (\$123,980 thousand)	¥3,485 million (\$29,005 thousand)	¥1,299,999 million (\$10,818,002 thousand)
Account	Other assets	Other liabilities	Other liabilities	—
Outstanding balance at end of the fiscal year	¥3,626 million (\$30,175 thousand)	¥1,335 million (\$11,111 thousand)	¥313 million (\$2,610 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.

****The price of the repurchase was determined by referring to the valuation results of an independent external third party. The repurchase of treasury stock is stated in "Type and number of shares issued and treasury stock" of Note 18. Shareholders' Equity.

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

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		
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	¥22,639 million	¥3,044 million
Account	Other assets	Other liabilities	Other liabilities
Outstanding balance at end of the fiscal year	¥4,543 million	¥1,889 million	¥266 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, 2015 and 2014

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

For the year ended March 31, 2015

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

Ownership of voting rights held	Nil				
Capital	¥400,000 million (\$3,328,617 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	¥602,446 million (\$5,013,282 thousand)	¥1,027,041 million** (\$8,546,568 thousand)	—***	¥3,018 million (\$25,117 thousand)	
Account	Other liabilities	Other assets	Other assets	Other liabilities	Accrued expenses
Outstanding balance at end of the fiscal year	¥54,090 million (\$450,114 thousand)	¥1,020,000 million** (\$8,487,975 thousand)	¥7,984 million*** (\$66,445 thousand)	¥340 million (\$2,830 thousand)	¥39 million (\$325 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, 2015.

***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 year ended March 31, 2014

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	¥607,266 million	¥1,112,876 million**	—***	¥2,749 million	
Account	Other liabilities	Other assets	Other liabilities	Other liabilities	Accrued expenses
Outstanding balance at end of the fiscal year	¥52,141 million	¥1,020,000 million**	¥45,558 million***	¥345 million	¥73 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, 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.

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

None for the fiscal years ended March 31, 2015 and 2014

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

31. Per Share Data

Net assets per share as of March 31, 2015 and 2014 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2015	2014	2015
Net assets per share	¥93,054.72	¥76,430.16	\$774.35
Net income per share	2,687.63	2,364.43	22.36

Net assets per share as of March 31, 2015 and 2014 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net assets	¥11,630,212	¥11,464,524	\$96,781,327
Net assets attributable to common stock at the end of the fiscal year	11,630,212	11,464,524	96,781,327
Number of common stock at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	124,982	150,000	

Net income per share data for the fiscal years ended March 31, 2015 and 2014 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net income	¥369,434	¥354,664	\$3,074,265
Net income attributable to common stock	369,434	354,664	3,074,265
Average number of common stock outstanding during the fiscal year (thousand shares)	137,456	150,000	

Note: Diluted net income per share is not presented since there has been no potential dilution for the years ended March 31, 2015 and 2014.

As stated in "I. Changes in Accounting Policies" of Note 2. Summary of Accounting Policies, the Bank has adopted the paragraph 35 of "Accounting Standard for Retirement Benefits" and the paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" from the beginning of the fiscal year ended March 31, 2015. The Standard is being applied transitionally as determined in its paragraph 37.

As a result, net assets per share declined ¥58.91 (\$0.49) from the beginning of the fiscal year ended March 31, 2015, while the impact on net income per share for the fiscal year ended March 31, 2015 was immaterial.

32. Significant Subsequent Event

None



Independent Auditor's Report

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

We have audited the accompanying financial statements of JAPAN POST BANK Co., Ltd., which comprise the non-consolidated balance sheets as at March 31, 2015 and 2014, 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, 2015 and 2014, 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, 2015 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 29, 2015
Tokyo, Japan

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

INFORMATION CONCERNING OUR CAPITAL STOCK

Stock split

(1) Purpose of stock split

The Bank conducted a stock split effective on August 1, 2015 to improve the liquidity of the Bank's stocks and expand its investor base.

(2) Procedures for stock split

The Bank divided its common stock under a 30-for-1 stock split based on the shareholders' information stated or recorded in the final shareholder registry on July 31, 2015, which was the record date.

(3) Number of shares increased by stock split

Common stock 4,350,000,000 shares

(4) Impact on per share data

Per share data as of and for the fiscal years ended March 31, 2015 and 2014, which is calculated based on the assumption that the stock split was effective at the beginning of the previous fiscal year, is as follows.

	Yen	
	2015	2014
Net assets per share	¥3,101.82	¥2,547.67
Net income per share	89.58	78.81

Net assets per share as of March 31, 2015 and 2014 were calculated based on the following:

	Millions of yen	
	2015	2014
Net assets	¥11,630,212	¥11,464,524
Net assets attributable to common stock at the end of the fiscal year	11,630,212	11,464,524
Number of common stock at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	3,749,475	4,500,000

Net income per share data for the fiscal years ended March 31, 2015 and 2014 were calculated based on the following:

	Millions of yen	
	2015	2014
Net income	¥369,434	¥354,664
Net income attributable to common stock	369,434	354,664
Average number of common stock outstanding during the fiscal year (thousand shares)	4,123,709	4,500,000

Note: Diluted net income per share is not presented since there has been no potential dilution for the fiscal years ended March 31, 2015 and 2014.

Interim Non-Consolidated Financial Statements (Unaudited)

INTERIM NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As of September 30, 2015 and March 31, 2015

	Millions of yen	
	As of September 30, 2015	As of March 31, 2015
Assets:		
Cash and due from banks	¥ 39,378,850	¥ 33,301,050
Call loans	1,830,314	1,961,526
Receivables under securities borrowing transactions	8,058,744	8,374,084
Monetary claims bought	124,725	122,032
Trading account securities	173	104
Money held in trust	3,479,636	3,491,637
Securities	149,801,138	156,169,792
Loans	2,617,649	2,783,985
Foreign exchanges	16,118	49,332
Other assets:	1,601,414	1,603,912
Other	1,601,414	1,603,912
Tangible fixed assets	184,552	179,933
Intangible fixed assets	45,251	47,971
Customers' liabilities for acceptances and guarantees	95,000	95,000
Reserve for possible loan losses	(1,051)	(1,055)
Total assets	¥207,232,518	¥208,179,309

	Millions of yen	
	As of September 30, 2015	As of March 31, 2015
Liabilities:		
Deposits	¥177,131,058	¥177,710,776
Call money	46,267	—
Payables under repurchase agreements	442,552	—
Payables under securities lending transactions	14,146,436	13,570,198
Foreign exchanges	346	266
Other liabilities:	2,769,908	3,576,119
Income taxes payable	28,339	35,121
Asset retirement obligations	397	368
Other	2,741,171	3,540,629
Reserve for bonuses	7,268	5,581
Reserve for employees' retirement benefits	151,511	150,466
Deferred tax liabilities	1,234,363	1,440,688
Acceptances and guarantees	95,000	95,000
Total liabilities	196,024,713	196,549,097
Net assets:		
Capital stock	3,500,000	3,500,000
Capital surplus	4,296,285	4,296,285
Retained earnings	1,955,487	1,968,617
Treasury stock	(1,299,999)	(1,299,999)
Total shareholders' equity	8,451,773	8,464,904
Net unrealized gains (losses) on available-for-sale securities	3,391,783	3,824,643
Net deferred gains (losses) on hedges	(635,751)	(659,335)
Total valuation and translation adjustments	2,756,031	3,165,307
Total net assets	11,207,805	11,630,212
Total liabilities and net assets	¥207,232,518	¥208,179,309

INTERIM NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

For the six months ended September 30, 2015 and 2014

	Millions of yen	
	2015	2014
Income:		
Interest income:	¥881,872	¥ 949,448
Interest on loans	13,224	16,109
Interest and dividends on securities	844,957	917,811
Fees and commissions	63,127	59,721
Other operating income	14,093	128
Other income	28,062	24,684
Total income	987,155	1,033,983
Expenses:		
Interest expenses:	187,003	176,586
Interest on deposits	118,218	121,636
Fees and commissions	16,176	15,184
Other operating expenses	977	373
General and administrative expenses	530,592	564,612
Other expenses	1,478	1,764
Total expenses	736,227	758,522
Income before income taxes	250,927	275,461
Income taxes:		
Current	84,539	86,784
Deferred	(5,198)	6,965
Total income taxes	79,340	93,750
Net income	¥171,587	¥ 181,710

INTERIM NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (UNAUDITED)

For the six months ended September 30, 2015 and 2014

2015

	Millions of yen										
	Capital stock	Shareholders' equity				Total shareholders' equity	Valuation and translation adjustments			Total net assets	
		Capital surplus		Retained earnings			Treasury stock	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges		Total valuation and translation adjustments
		Legal capital surplus	Other retained earnings	Retained earnings brought forward							
Balance at the beginning of the period	¥3,500,000	¥4,296,285	¥1,968,617	¥(1,299,999)	¥8,464,904	¥3,824,643	¥(659,335)	¥3,165,307	¥11,630,212		
Cumulative effect of a change in accounting policies					—				—		
Balance including a change in accounting policies at the beginning of the period	3,500,000	4,296,285	1,968,617	(1,299,999)	8,464,904	3,824,643	(659,335)	3,165,307	11,630,212		
Changes during the period:											
Cash dividends			(184,717)		(184,717)					(184,717)	
Net income			171,587		171,587					171,587	
Repurchase of treasury stock					—					—	
Net changes in items other than shareholders' equity						(432,860)	23,584	(409,275)		(409,275)	
Total changes during the period	—	—	(13,130)	—	(13,130)	(432,860)	23,584	(409,275)		(422,406)	
Balance at the end of the period	¥3,500,000	¥4,296,285	¥1,955,487	¥(1,299,999)	¥8,451,773	¥3,391,783	¥(635,751)	¥2,756,031		¥11,207,805	

2014

	Millions of yen										
	Capital stock	Shareholders' equity				Total shareholders' equity	Valuation and translation adjustments			Total net assets	
		Capital surplus		Retained earnings			Treasury stock	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges		Total valuation and translation adjustments
		Legal capital surplus	Other retained earnings	Retained earnings brought forward							
Balance at the beginning of the period	¥3,500,000	¥4,296,285	¥1,702,007	¥	—	¥9,498,293	¥2,563,134	¥(596,903)	¥1,966,231	¥11,464,524	
Cumulative effect of a change in accounting policies			(8,837)			(8,837)				(8,837)	
Balance including a change in accounting policies at the beginning of the period	3,500,000	4,296,285	1,693,170		—	9,489,456	2,563,134	(596,903)	1,966,231	11,455,687	
Changes during the period:											
Cash dividends			(93,987)			(93,987)				(93,987)	
Net income			181,710			181,710				181,710	
Repurchase of treasury stock					(1,299,999)	(1,299,999)				(1,299,999)	
Net changes in items other than shareholders' equity							446,310	(56,318)	389,991	389,991	
Total changes during the period	—	—	87,723	(1,299,999)	(1,212,275)		446,310	(56,318)	389,991	(822,283)	
Balance at the end of the period	¥3,500,000	¥4,296,285	¥1,780,894	¥(1,299,999)	¥8,277,180	¥3,009,445	¥(653,222)	¥2,356,222		¥10,633,403	

INTERIM NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the six months ended September 30, 2015 and 2014

	Millions of yen	
	2015	2014
Cash flows from operating activities:		
Income before income taxes	¥ 250,927	¥ 275,461
Adjustments for:		
Depreciation and amortization	18,046	16,850
Losses on impairment of fixed assets	0	8
Net change in reserve for possible loan losses	(3)	(67)
Net change in reserve for bonuses	1,687	674
Net change in reserve for employees' retirement benefits	1,044	1,217
Interest income	(881,872)	(949,448)
Interest expenses	187,003	176,586
Losses (gains) related to securities—net	(6,464)	(83)
Losses (gains) on money held in trust—net	(23,890)	(18,649)
Foreign exchange losses (gains)—net	(47,838)	(172,075)
Losses (gains) on sales and disposals of fixed assets—net	767	(2,451)
Net change in loans	165,634	175,198
Net change in deposits	(579,718)	1,333,731
Net change in negotiable certificates of deposit	35,000	(50,000)
Net change in call loans, etc.	128,393	(345,353)
Net change in receivables under securities borrowing transactions	315,340	(1,727,106)
Net change in call money, etc.	488,820	10,945
Net change in payables under securities lending transactions	576,237	1,279,877
Net change in foreign exchange assets	33,214	(3,122)
Net change in foreign exchange liabilities	80	151
Interest received	937,837	1,023,838
Interest paid	(111,014)	(98,164)
Other—net	66,329	(49,823)
Subtotal	1,555,563	878,194
Income taxes paid	(85,544)	(105,298)
Net cash provided by operating activities	1,470,018	772,896
Cash flows from investing activities:		
Purchases of securities	(14,682,342)	(11,514,804)
Proceeds from sales of securities	4,745,136	115,011
Proceeds from maturity of securities	14,906,666	17,995,295
Investment in money held in trust	(150,000)	—
Proceeds from disposition of money held in trust	39,260	7,566
Purchases of tangible fixed assets	(27,965)	(14,951)
Proceeds from sales of tangible fixed assets	11	4,734
Purchases of intangible fixed assets	(3,892)	(3,566)
Other—net	405	1,209
Net cash provided by investing activities	4,827,278	6,590,493
Cash flows from financing activities:		
Cash dividends paid	(184,717)	(93,987)
Repurchase of treasury stock	—	(1,299,999)
Net cash used in financing activities	(184,717)	(1,393,986)
Effect of exchange rate changes on cash and cash equivalents	220	283
Net change in cash and cash equivalents	6,112,800	5,969,686
Cash and cash equivalents at the beginning of the period	32,596,050	18,848,622
Cash and cash equivalents at the end of the period	¥ 38,708,850	¥ 24,818,308

KEY FINANCIAL INDICATORS

Key Financial Indicators

Years ended March 31

	Millions of yen	
	2015	2014
Ordinary income	¥ 2,078,179	¥ 2,076,397
Operating profit (before provision for general reserve for possible loan losses)	519,998	472,687
Net operating profit	519,998	472,687
Net ordinary income	569,489	565,095
Net income	369,434	354,664
Capital stock	3,500,000	3,500,000
Shares outstanding (thousand shares)	150,000	150,000
Net assets	11,630,212	11,464,524
Total assets	208,179,309	202,512,882
Deposits	177,710,776	176,612,780
Loans	2,783,985	3,076,325
Securities	156,169,792	166,057,886
Capital adequacy ratio (non-consolidated, domestic standard)	38.42%	56.81%
Dividend payout ratio	50.00%	26.50%
Employees	12,889	12,963

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	
	2015	2014
Gross operating profit:	¥ 1,634,774	¥ 1,568,715
(Excluding gains (losses) on bonds)	1,639,366	1,564,439
Net interest income	1,540,799	1,470,268
Net fees and commissions	89,251	92,690
Net trading income	—	—
Net other operating income (loss)	4,723	5,756
(Gains (losses) on bonds)	(4,592)	4,275
General and administrative expenses:	(1,114,775)	(1,096,028)
Personnel expenses	(123,211)	(123,318)
Non-personnel expenses	(917,455)	(913,615)
Taxes and dues	(74,107)	(59,094)
Operating profit (before provision for general reserve for possible loan losses)	519,998	472,687
(Excluding gains (losses) on bonds)	524,591	468,411
Provision for general reserve for possible loan losses	—	—
Net operating profit:	519,998	472,687
Gains (losses) on bonds	(4,592)	4,275
Non-recurring gains (losses):	49,491	92,407
Gains (losses) on money held in trust	43,151	103,856
Other non-recurring gains (losses)	6,339	(11,448)
Net ordinary income	569,489	565,095
Extraordinary income (loss):	1,544	(628)
Gains (losses) on sales and disposal of fixed assets	1,561	(562)
Losses on impairment of fixed assets	(17)	(65)
Income before income taxes	571,034	564,467
Income taxes—current	(182,658)	(187,855)
Income taxes—deferred	(18,941)	(21,946)
Net income	369,434	354,664
Credit-related expenses:	(4)	66
Provision for general reserve for possible loan losses	(4)	66
Write-off of loans	—	—
Provision for specific reserve for possible loan losses	—	—
Recoveries of written-off loans	—	—

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

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

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

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

Gross Operating Profit and Gross Operating Profit Margin

Years ended March 31

	Millions of yen	
	2015	2014
Gross operating profit	¥1,634,774	¥1,568,715
Gross operating profit margin	0.82%	0.80%

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	
	2015	2014
Net interest income:	¥1,540,799	¥1,470,268
Interest income	1,893,273	1,827,610
Interest expenses	352,473	357,341
Net fees and commissions:	89,251	92,690
Fees and commissions income	119,429	121,116
Fees and commissions expenses	30,177	28,426
Net trading income:	—	—
Trading gains	—	—
Trading losses	—	—
Net other operating income (loss):	4,723	5,756
Other operating income	10,809	20,487
Other operating expenses	6,086	14,731

Note: Interest expenses exclude expenses corresponding to money held in trust (fiscal year ended March 31, 2015, ¥4,307 million; fiscal year ended March 31, 2014, ¥4,405 million).

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

Years ended March 31

	Millions of yen		
	2015		
	Average balance	Interest	Earnings yield
Interest-earning assets:	¥198,005,944	¥1,893,273	0.95%
Loans	2,972,334	31,127	1.04
Securities	160,128,701	1,826,086	1.14
Due from banks, etc.	27,004,139	28,050	0.10
Interest-bearing liabilities:	187,117,536	352,473	0.18
Deposits	177,711,397	241,707	0.13

	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

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, 2015, ¥2,286,605 million; fiscal year ended March 31, 2014, ¥2,287,246 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (fiscal year ended March 31, 2015, ¥2,286,605 million; fiscal year ended March 31, 2014, ¥2,287,246 million) and the corresponding interest (fiscal year ended March 31, 2015, ¥4,307 million; fiscal year ended March 31, 2014, ¥4,405 million) are excluded from interest-bearing liabilities.
 2. Due from banks, etc. consists of negotiable certificates of deposit, Bank of Japan deposits, call loans and monetary claims bought.

Changes in Interest Income and Expenses

Years ended March 31

	Millions of yen		
	2015		
	Balance-related change	Interest-related change	Net change
Interest income:	¥ 18,652	¥ 47,009	¥ 65,662
Loans	(4,884)	(1,942)	(6,827)
Securities	(101,122)	158,823	57,701
Due from banks, etc.	14,884	49	14,934
Interest expenses:	3,101	(7,969)	(4,868)
Deposits	1,082	(14,409)	(13,327)

	Millions of yen		
	2014		
	Balance-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)

Notes: 1. Factors that increase or decrease both balances and interest rates are allocated based on the proportion of the increase or decrease in the balance and interest rate.
2. Due from banks, etc. consists of negotiable certificates of deposit, Bank of Japan deposits, call loans and monetary claims bought.

General and Administrative Expenses

Years ended March 31

	Millions of yen			
	2015		2014	
	Amount	%	Amount	%
Personnel expenses:	¥ 122,091	10.96	¥ 122,306	11.16
Salaries and allowances	99,941	8.97	100,257	9.15
Non-personnel expenses:	917,455	82.38	913,615	83.43
Commissions on bank agency services paid to JAPAN POST Co., Ltd.	602,446	54.09	607,266	55.45
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (Note)	18,967	1.70	22,069	2.01
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	103,695	9.31	99,898	9.12
Rent for land, buildings and others	11,122	0.99	11,169	1.02
Expenses on consigned businesses	62,396	5.60	57,686	5.26
Depreciation and amortization	34,601	3.10	33,480	3.05
Communication and transportation expenses	19,991	1.79	20,487	1.87
Maintenance expenses	16,037	1.44	13,224	1.20
IT expenses	22,425	2.01	28,212	2.57
Taxes and dues	74,107	6.65	59,094	5.39
Total	¥1,113,654	100.00	¥1,095,016	100.00

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

DEPOSITS

Balances by Type of Deposit

As of March 31

Ending Balances

	Millions of yen			
	2015		2014	
	Amount	%	Amount	%
Liquid deposits:	¥ 61,053,645	34.35	¥ 60,200,571	34.08
Transfer deposits	11,747,374	6.61	10,925,669	6.18
Ordinary deposits, etc.	48,912,826	27.52	48,878,529	27.67
Savings deposits	393,443	0.22	396,371	0.22
Fixed-term deposits:	116,453,033	65.52	116,157,689	65.76
Time deposits	13,569,920	7.63	14,781,463	8.36
TEIGAKU deposits, etc.	102,881,558	57.89	101,374,092	57.39
Other deposits	204,097	0.11	254,519	0.14
Subtotal	177,710,776	100.00	176,612,780	100.00
Negotiable certificates of deposit	—	—	—	—
Total	¥177,710,776	100.00	¥176,612,780	100.00

Years ended March 31

Average Balances

	Millions of yen			
	2015		2014	
	Amount	%	Amount	%
Liquid deposits:	¥ 61,057,460	34.35	¥ 60,550,882	34.21
Transfer deposits	11,365,224	6.39	10,591,337	5.98
Ordinary deposits, etc.	49,296,826	27.73	49,559,468	28.00
Savings deposits	395,409	0.22	400,075	0.22
Fixed-term deposits:	116,441,954	65.52	116,144,774	65.63
Time deposits	14,163,314	7.96	16,818,118	9.50
TEIGAKU deposits, etc.	102,276,763	57.55	99,324,145	56.12
Other deposits	211,981	0.11	268,336	0.15
Subtotal	177,711,397	100.00	176,963,992	100.00
Negotiable certificates of deposit	—	—	—	—
Total	¥177,711,397	100.00	¥176,963,992	100.00

Time Deposits by Time to Maturity

As of March 31

		Millions of yen	
		2015	2014
Less than three months	Time deposits:	¥ 3,759,063	¥ 3,554,671
	Fixed interest rates	3,759,063	3,554,671
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Three and < six months	Time deposits:	2,330,574	2,853,074
	Fixed interest rates	2,330,574	2,853,074
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Six months and < one year	Time deposits:	5,811,737	6,938,944
	Fixed interest rates	5,811,737	6,938,944
	Floating interest rates	—	—
	Other time deposits	—	—
≥ One and < two years	Time deposits:	505,914	375,096
	Fixed interest rates	505,914	375,096
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Two and < three years	Time deposits:	550,097	459,953
	Fixed interest rates	550,097	459,953
	Floating interest rates	—	—
	Other time deposits	—	—
Three years or more	Time deposits:	612,532	599,722
	Fixed interest rates	612,532	599,722
	Floating interest rates	—	—
	Other time deposits	—	—
Total	Time deposits:	¥13,569,920	¥14,781,463
	Fixed interest rates	13,569,920	14,781,463
	Floating interest rates	—	—
	Other time deposits	—	—

TEIGAKU Deposits by Time to Maturity

As of March 31

		Millions of yen	
		2015	2014
Less than one year		¥ 1,698,115	¥ 2,228,036
≥ One and < three years		24,514,819	10,381,575
≥ Three and < five years		20,355,874	32,352,070
≥ Five and < seven years		28,693,665	22,382,440
Seven years or more		27,619,083	34,029,968
Total		¥102,881,558	¥101,374,092

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

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

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

LOANS

Loans by Category

As of March 31

Ending Balances

	Millions of yen	
	2015	2014
Loans on notes	—	—
Loans on deeds	¥2,549,816	¥2,830,118
Overdrafts	234,169	246,206
Notes discounted	—	—
Total	¥2,783,985	¥3,076,325

Years ended March 31

Average Balances

	Millions of yen	
	2015	2014
Loans on notes	—	—
Loans on deeds	¥2,740,220	¥3,198,559
Overdrafts	232,114	232,891
Notes discounted	—	—
Total	¥2,972,334	¥3,431,450

Loans by Time to Maturity

As of March 31

		Millions of yen	
		2015	2014
One year or less	Loans:	¥ 402,692	¥ 473,928
	Floating interest rates	/	/
	Fixed interest rates	/	/
> One and ≤ three years	Loans:	520,606	365,716
	Floating interest rates	158,463	196,329
	Fixed interest rates	362,143	169,386
> Three and ≤ five years	Loans:	459,143	617,874
	Floating interest rates	16,129	—
	Fixed interest rates	443,013	617,874
> Five and ≤ seven years	Loans:	186,532	300,989
	Floating interest rates	19,395	—
	Fixed interest rates	167,136	300,989
> Seven and ≤ ten years	Loans:	591,785	472,317
	Floating interest rates	300	200
	Fixed interest rates	591,485	472,117
Over ten years	Loans:	623,226	845,499
	Floating interest rates	2,667	—
	Fixed interest rates	620,559	845,499
No designated term	Loans:	—	—
	Floating interest rates	—	—
	Fixed interest rates	—	—
Total		¥2,783,985	¥3,076,325

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

Loans and Acceptances and Guarantees by Type of Collateral

As of March 31

Loans by Type of Collateral

	Millions of yen	
	2015	2014
Securities	¥ 105	¥ 186
Receivables	204,133	206,335
Merchandise	—	—
Real estate	—	—
Others	—	—
Subtotal	204,238	206,521
Guarantees	3,170	51,498
Credit	2,576,576	2,818,305
Total	¥2,783,985	¥3,076,325

Acceptances and Guarantees by Type of Collateral

	Millions of yen	
	2015	2014
Securities	—	—
Receivables	—	—
Merchandise	—	—
Real estate	—	—
Others	—	—
Subtotal	—	—
Guarantees	—	—
Credit	¥95,000	¥115,000
Total	¥95,000	¥115,000

Loans by Purpose

As of March 31

	Millions of yen			
	2015		2014	
	Amount	%	Amount	%
Funds for capital investment	¥ 24,063	0.86	¥ 20,000	0.65
Funds for working capital	2,759,922	99.13	3,056,325	99.34
Total	¥2,783,985	100.00	¥3,076,325	100.00

Loans by Industry

As of March 31

	Millions of yen			
	2015		2014	
	Amount	%	Amount	%
Agriculture, forestry, fisheries, and mining	—	—	—	—
Manufacturing	¥ 83,042	2.98	¥ 83,879	2.72
Utilities, information/communications, and transportation	91,092	3.27	94,044	3.05
Wholesale and retail	18,286	0.65	23,890	0.77
Finance and insurance	1,759,281	63.19	2,026,918	65.88
Construction and real estate	2,000	0.07	11,500	0.37
Services and goods rental/leasing	8,670	0.31	15,805	0.51
Central and local governments	614,202	22.06	610,566	19.84
Others	207,409	7.45	209,720	6.81
Total	¥2,783,985	100.00	¥3,076,325	100.00

Note: Of "Finance and insurance," loans to the Management Organization were ¥1,486,308 million and ¥1,766,185 million as of March 31, 2015 and March 31, 2014, respectively.

Loans to Individuals and Small and Medium-size Enterprises

As of March 31

	Millions of yen	
	2015	2014
Total loans (A)	¥2,783,985	¥3,076,325
Loans to individuals and small and medium-size enterprises (B)	¥ 207,409	¥ 209,720
(B)/(A)	7.45%	6.81%

Note: Individuals and small and medium-size enterprises are defined as companies with capital of ¥300 million or less (¥100 million or less for wholesalers and ¥50 million or less for retail and service businesses) or companies with full-time employees of 300 workers or less (100 employees or less for wholesalers, 50 employees or less for retail businesses, and 100 employees or less for service businesses) and individuals.

Risk-Monitored Loans

As of March 31

	Millions of yen	
	2015	2014
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	
	2015	2014
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	¥2,931,915	¥3,225,673
Total (B)	¥2,931,915	¥3,225,673
Non-performing loan ratio (A)/(B)	—%	—%

Reserve for Possible Loan Losses

Years ended March 31

	Millions of yen			
	2015			
	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	¥ 336	¥ 315	¥ 336	¥ 315
Specific reserve for possible loan losses	791	740	791	740
Total	¥1,127	¥1,055	¥1,127	¥1,055

	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

SECURITIES

Average Balance by Type of Trading Book Securities

Years ended March 31

	Millions of yen	
	2015	2014
Trading book Japanese government bonds	¥294	¥529
Trading book Japanese local government bonds	—	—
Trading book government guaranteed bonds	—	—
Other trading book securities	—	—
Total	¥294	¥529

Securities by Time to Maturity

As of March 31

	Millions of yen							Total
	2015							
	One year or less	> One and ≤ three years	> Three and ≤ five years	> Five and ≤ seven years	> Seven and ≤ ten years	Over ten years	No designated term	
Japanese government bonds	¥19,140,743	¥32,894,393	¥15,454,922	¥16,486,590	¥20,590,577	¥2,199,820	—	¥106,767,047
Japanese local government bonds	1,003,904	1,081,127	1,582,153	1,295,853	526,556	35,521	—	5,525,117
Japanese corporate bonds	2,045,191	2,815,071	3,474,236	690,688	768,346	1,189,501	—	10,983,036
Other securities	2,551,187	5,665,863	6,110,464	2,560,047	1,856,830	181,546	¥13,968,651	32,894,591
Foreign bonds	2,491,018	5,617,800	6,110,464	2,560,047	1,856,830	181,546	—	18,817,706
Investment trusts	—	—	—	—	—	—	13,967,716	13,967,716
Foreign stocks	—	—	—	—	—	—	—	—
Total	¥24,741,027	¥42,456,456	¥26,621,776	¥21,033,179	¥23,742,311	¥3,606,388	¥13,968,651	¥156,169,792

	Millions of yen							Total
	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	
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
Investment trusts	—	—	—	—	—	—	8,120,582	8,120,582
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

Balance by Type of Securities

As of March 31

Ending Balances

	Millions of yen	
	2015	2014
Japanese government bonds	¥106,767,047	¥126,391,090
Japanese local government bonds	5,525,117	5,550,379
Japanese corporate bonds	10,983,036	11,384,142
Other securities	32,894,591	22,732,273
Foreign bonds	18,817,706	14,532,618
Investment trusts	13,967,716	8,120,582
Foreign stocks	—	—
Total	¥156,169,792	¥166,057,886

Years ended March 31

Average Balances

	Millions of yen	
	2015	2014
Japanese government bonds	¥116,413,435	¥135,713,497
Japanese local government bonds	5,570,677	5,652,880
Japanese corporate bonds	11,293,664	11,789,749
Other securities	26,850,924	19,228,475
Foreign bonds	16,653,595	12,929,369
Investment trusts	10,117,574	6,191,298
Foreign stocks	—	—
Total	¥160,128,701	¥172,384,603

Asset Management Status

As of March 31

	Millions of yen			
	2015		2014	
	Outstanding assets	%	Outstanding assets	%
Due from banks, etc.	¥ 33,034,939	16.04	¥ 19,204,140	9.58
Call loans	1,961,526	0.95	1,843,569	0.92
Receivables under securities borrowing transactions	8,374,084	4.06	7,212,769	3.60
Money held in trust	3,491,637	1.69	2,919,003	1.45
Securities:	156,169,792	75.86	166,057,886	82.88
Japanese government bonds	106,767,047	51.86	126,391,090	63.08
Japanese local government bonds	5,525,117	2.68	5,550,379	2.77
Japanese corporate bonds	10,983,036	5.33	11,384,142	5.68
Other securities	32,894,591	15.97	22,732,273	11.34
Foreign bonds	18,817,706	9.14	14,532,618	7.25
Investment trusts	13,967,716	6.78	8,120,582	4.05
Loans	2,783,985	1.35	3,076,325	1.53
Others	49,436	0.02	31,872	0.01
Total	¥205,865,404	100.00	¥200,345,567	100.00

Notes: 1. Due from banks, etc. consists of negotiable certificates of deposit, Bank of Japan deposits and monetary claims bought.

2. Investment trusts are mainly invested in foreign bonds.

Foreign Bonds

As of March 31

Foreign Bonds by Currency

	Millions of yen			
	2015		2014	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥ 4,261,945	22.64	¥ 4,063,157	27.95
U.S. dollar	11,015,215	58.53	7,126,971	49.04
Euro	3,162,723	16.80	3,282,317	22.58
Others	377,822	2.00	60,172	0.41
Total	¥18,817,706	100.00	¥14,532,618	100.00

Money Held in Trust

As of March 31

Assets by Type

	Millions of yen			
	2015		2014	
	Outstanding assets	%	Outstanding assets	%
Domestic stocks	¥2,146,168	61.91	¥1,609,435	55.54
Domestic bonds	1,288,771	37.18	1,287,846	44.45
Foreign stocks	31,103	0.89	0	0.00
Total	¥3,466,042	100.00	¥2,897,283	100.00

Assets by Currency

	Millions of yen			
	2015		2014	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥3,434,939	99.10	¥2,897,282	99.99
U.S. dollar	—	—	—	—
Euro	12,346	0.35	0	0.00
Others	18,756	0.54	—	—
Total	¥3,466,042	100.00	¥2,897,283	100.00

Note: Cash and deposits are excluded.

Securitized Product Exposure

As of March 31, 2015 and March 31, 2014, the Bank held the following securitized products and other products.

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

As of March 31

1. Securitized Products

Region		Billions of yen			
		2015			
		Acquisition cost (A)	Net unrealized gains (losses) (B)	(B)/(A)	Credit ratings
Domestic	Residential mortgage-backed securities (RMBS)	¥1,158.1	¥53.9	4.66%	AAA~AA
	Subprime loan related	—	—	—	—
	Collateralized loan obligations (CLO)	94.3	3.7	4.00	AA
	Other securitized products	23.2	0.0	0.00	AAA
	Commercial mortgage-backed securities (CMBS)	—	—	—	—
	Collateralized debt obligations (CDO)	4.5	0.2	4.46	AAA
	Subtotal	1,280.2	57.9	4.52	/
Overseas	Residential mortgage-backed securities (RMBS)	330.8	36.3	10.99	AAA
	Subprime loan related	—	—	—	—
	Subtotal	330.8	36.3	10.99	/
Total		¥1,611.0	¥94.3	5.85%	/

Region		Billions of yen			
		2014			
		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%	/

- 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 auto loan claims and accounts receivable, etc.
5. The above table does not include U.S. government sponsored enterprises, etc. (GSEs) 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 ¥32.6 billion of profit as of March 31, 2015 and ¥50.5 billion of profit as of March 31, 2014.

2. Structured Investment Vehicles (SIVs)

There were no investments in SIVs.

3. Leveraged Loans

There were no outstanding leveraged loans.

4. Monoline Insurer Related Products

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

RATIOS

Net Ordinary Income to Assets and Equity

Years ended March 31

	%	
	2015	2014
Net ordinary income to assets	0.27	0.28
Net ordinary income to equity	4.93	5.03

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

	%	
	2015	2014
Net income to assets (ROA)	0.17	0.17
Net income to equity (ROE)	3.20	3.15

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

	%	
	2015	2014
Overhead ratio (OHR)	68.19	69.86
Expense-to-deposit ratio	0.62	0.61

Notes: 1. OHR = [general and administrative expenses (excluding non-recurring expenses) / gross operating profit] x 100
 2. Expense-to-deposit ratio = [general and administrative expenses (excluding non-recurring expenses) / average deposit balances] x 100

Interest Rate Spread

Years ended March 31

	%	
	2015	2014
Yield on interest-earning assets	0.95	0.93
Interest rate on interest-bearing liabilities	0.18	0.19
Interest rate spread	0.76	0.73

Loan-Deposit Ratio

As of March 31

	Millions of yen	
	2015	2014
Loans (A)	¥ 2,783,985	¥ 3,076,325
Deposits (B)	177,710,776	176,612,780
Loan-deposit ratio (A)/(B)	1.56%	1.74%
Loan-deposit ratio (average for the fiscal year)	1.67%	1.93%

Security-Deposit Ratio

As of March 31

	Millions of yen	
	2015	2014
Securities (A)	¥156,169,792	¥166,057,886
Deposits (B)	177,710,776	176,612,780
Security-deposit ratio (A)/(B)	87.87%	94.02%
Security-deposit ratio (average for the fiscal year)	90.10%	97.41%

OTHERS

Over-the-Counter Sales of Japanese Government Bonds

Years ended March 31

	Millions of yen	
	2015	2014
Long-term bonds	¥ 45,243	¥ 73,867
Medium-term bonds	56,805	123,770
Bonds for individuals	139,475	152,288
Total	¥241,524	¥349,927

Domestic Exchanges

Years ended March 31

Remittances

	Millions of yen			
	2015		2014	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Sent	24,252	¥21,769,194	21,642	¥17,697,182
Received	67,192	15,415,275	53,810	13,621,048

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

Transfer Deposits

	Millions of yen			
	2015		2014	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
In-payment	1,171,772	¥68,295,736	1,182,252	¥59,028,061
Transfers	112,041	81,957,838	107,492	87,321,165
Out-payment	120,517	56,831,965	123,361	50,848,174

Ordinary Remittances and Postal Orders (TEIGAKU KOGAWASE)

	Millions of yen			
	2015		2014	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Ordinary remittances	1,607	¥34,492	2,023	¥40,309
Postal orders (TEIGAKU KOGAWASE)	16,679	9,288	16,671	9,254

Foreign Exchanges

Years ended March 31

	Millions of U.S. dollars			
	2015		2014	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Foreign exchanges	352	\$1,112	372	\$1,263

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

Investment Trusts Sales (Contract Basis)

Years ended March 31

	Millions of yen	
	2015	2014
Number of contracts (thousands)	1,061	952
Sales amount	¥377,000	¥339,685

As of March 31

	Millions of yen	
	2015	2014
Number of investment trust accounts (thousands)	665	644
Net assets	¥1,118,791	¥977,638

Other Businesses

Credit Cards

Years ended March 31

	Thousands	
	2015	2014
Number of cards issued	60	70

As of March 31

	Thousands	
	2015	2014
Number of cards issued (cumulative) (outstanding)	1,573	1,976

Mortgage Loans (as intermediary)

Years ended March 31

	Millions of yen	
	2015	2014
Amount of new credit extended	¥34,833	¥24,438

As of March 31

	Millions of yen	
	2015	2014
Amount of new credit extended (cumulative)	¥306,981	¥272,148

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	
	2015	2014
Number of policies	11,987	12,214
Sales amount	¥66,914	¥69,286

As of March 31

	Millions of yen	
	2015	2014
Number of policies (cumulative)	65,556	53,569
Sales amount (cumulative)	¥345,452	¥278,537

CAPITAL POSITION

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

As of March 31

		Millions of yen			
		2015	Amounts excluded under transitional arrangements	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	¥ 8,280,186	/	¥ 9,404,306	/
	of which: Capital and capital surplus	7,796,285	/	7,796,285	/
	of which: Retained earnings	1,968,617	/	1,702,007	/
	of which: Treasury stock (deduction)	1,299,999	/	—	/
	of which: Cash dividends to be paid (deduction)	184,717	/	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	315	/	336	/
	of which: General reserve for possible loan losses	315	/	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)	8,280,501	/	9,404,643	/
Core Capital: regulatory adjustments	Total intangible fixed assets (net of related tax liability, excluding those relating to mortgage servicing rights)	6,491	¥25,967	—	¥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)	6,491	25,967	—	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)	—	—	—	—	

		Millions of yen			
		2015	Amounts excluded under transitional arrangements	2014	Amounts excluded under transitional arrangements
Core Capital: regulatory adjustments	Amount exceeding the 10% threshold on specified items	—	—	—	—
	of which: Significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—
	of which: Mortgage servicing rights	—	—	—	—
	of which: Deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—
	Amount exceeding the 15% threshold on specified items	—	—	—	—
	of which: Significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—
	of which: Mortgage servicing rights	—	—	—	—
	of which: Deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—
	Core Capital: regulatory adjustments (B)	6,491	/	—	/
Total capital	Total capital (A)–(B)= (C)	¥ 8,274,010	/	¥ 9,404,643	/
Risk-weighted assets	Credit risk-weighted assets	¥18,490,222	/	¥13,482,628	/
	of which: Total of items included in risk-weighted assets subject to transitional arrangements	(276,508)	/	(618,934)	/
	of which: Intangible fixed assets other than goodwill and mortgage servicing rights (net of related tax liability)	25,967	/	37,795	/
	of which: Deferred tax assets (net of related tax liability)	—	/	—	/
	of which: Prepaid pension costs	—	/	—	/
	of which: Other Financial Institutions Exposures	(302,475)	/	(656,730)	/
	of which: Other than the above	—	/	—	/
	Market risk equivalent / 8%	—	/	—	/
	Operational risk equivalent / 8%	3,043,268	/	3,070,695	/
	Credit risk-weighted assets adjustments	—	/	—	/
Operational risk equivalent adjustments	—	/	—	/	
Total amount of risk-weighted assets (D)	¥21,533,490	/	¥16,553,324	/	
Capital adequacy ratio	Capital adequacy ratio (C)/(D) (%)	38.42	/	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.

INSTRUMENTS FOR RAISING CAPITAL

Outline of Instruments for Raising Capital

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

- Total issued and outstanding common shares: 4,500,000,000 shares (including 750,525,000 shares of treasury stock)

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 by using such factors as the proportion of total stockholders' equity attributable to common stock to its equity base 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 attributable to common stock to its risk capital.

The Bank's capital adequacy and quality management framework comprises monthly or quarterly reporting of these abovementioned assessments 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	
	2015	2014
(1) Capital requirement for credit risk:	¥739,608	¥539,305
Portfolios applying the standardized approach	730,859	533,127
Securitization exposures	3,748	3,040
CVA risk equivalent	5,001	3,137
Central Counterparty-related exposures	—	—
(2) Capital requirement for market risk:	—	—
(3) Capital requirement for operational risk:	121,730	122,827
The basic indicator approach	121,730	122,827
(4) Total capital requirements (1) + (2) + (3)	¥861,339	¥662,132

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	
		2015	2014
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	13,759	12,790
4 Bank for International Settlements, etc.	0	0	—
5 Non-central government public sector entities	0	0	0
6 Foreign non-central government public sector entities	20-100	5,114	5,082
7 Multilateral Development Banks	0-100	15	5
8 Japan Finance Organization for Municipalities	10-20	2,863	2,697
9 Japanese government agencies	10-20	12,984	14,255
10 Three regional public corporations	20	213	15
11 Financial institutions and Type I Financial Instruments Business Operators	20-100	126,091	85,216
12 Corporates	20-100	393,546	292,864
13 Small and medium-size enterprises and individuals	75	—	—
14 Mortgage loans	35	—	—
15 Project finance (acquisition of real estate)	100	12,350	7,830
16 Past-due loans (three months or more)	50-150	31,457	13,748
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	48,802	42,221
Exposure to investments, etc.	100	48,802	42,221
Exposure to critical investments	1250	—	—
21 Other than above	100-250	69,051	61,870
Exposures to fund procurement methods by other financial institutions, etc., other than those corresponding to common shares, etc.	250	48,913	43,782
Exposures to specific items that are not included in adjustment items	250	9,103	11,049
Exposures other than those listed above	100	11,035	7,039
22 Securitization transactions (as originator)	20-1250	—	—
Re-securitization transactions	40-1250	—	—
23 Securitization transactions (as investor and other)	20-1250	3,748	3,040
Re-securitization transactions	40-1250	59	69
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	—	1,038	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	—	(12,099)	(26,269)
Total	—	¥708,939	¥516,882

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	
		2015	2014
1 Commitments cancelable automatically or unconditionally at any time	0	¥ 0	—
2 Commitments with an original maturity up to one year	20	—	—
3 Short-term trade contingent liabilities	20	—	—
4 Contingent liabilities arising from specific transactions	50	—	—
(Guaranteed principal amounts held in some trusts under the transitional provisions)	50	—	—
5 NIFs and RUFs	50	—	—
6 Commitments with an original maturity over one year	50	—	¥ 54
7 Contingent liabilities arising from directly substituted credit	100	9,807	6,108
(Secured with loan guarantees)	100	3,463	2,729
(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	4,484	1,919
8 Sale and repurchase agreements and asset sales with recourse (after deductions)	—	—	—
Assets sold with repurchase agreements or assets sold with right of claim (before deductions)	100	—	—
Deductions	—	—	—
9 Forward asset purchases, forward deposits and partly-paid shares and securities	100	0	18
10 Securities lending, cash or securities collateral provision, or repo-style transactions	100	12,493	11,010
11 Derivative transactions and long-settlement transactions	—	3,334	2,091
Current exposure method	—	3,334	2,091
Derivative transactions	—	3,334	2,091
(1) Foreign exchange-related transactions	—	4,085	2,545
(2) Interest rate-related transactions	—	599	577
(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)	—	35	43
Write-off of credit equivalent amounts under master netting agreement (deduction)	—	1,386	1,075
Long-settlement transactions	—	0	—
12 Unsettled transactions	—	32	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	—	¥25,668	¥19,285

Notes: 1. Capital requirements are calculated using the following formula:

Credit risk-weighted assets x 4%

2. Risk weightings are stipulated in the Capital Adequacy Notification.

CREDIT RISK

Outline of Credit Risk Management Policies and Procedures

See Pages 60–63 (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 Organization for Municipalities		R&I, JCR, Moody's, S&P
Japanese government agencies		R&I, JCR, Moody's, S&P
Three regional public corporations		R&I, JCR, Moody's, S&P
Financial institutions and Type I Financial Instruments Business Operators	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Corporates	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P
Securitization transactions		R&I, JCR, Moody's, S&P

Exposure by Region, Industry, and Remaining Period

As of March 31

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

		Millions of yen					Past due loans for three months or more
		2015					
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total	
Domestic	Agriculture, forestry, fisheries, and mining	—	—	—	—	—	—
	Manufacturing	¥ 240,159	¥ 769,987	—	¥ 8,300	¥ 1,018,448	—
	Utilities, information/communications, and transportation	91,178	4,420,604	—	8,749	4,520,532	—
	Wholesale and retail	137,323	173,098	—	28	310,449	—
	Finance and insurance	61,799,834 (21,613,335)	5,312,708	¥44,070	49,893	67,206,507 (21,613,335)	—
	Construction and real estate	5,001	131,437	—	1	136,440	—
	Services and goods rental/leasing	1,029,665	460,702	—	78,402	1,568,771	—
	Central and local governments	2,075,711	111,189,249	—	14,702	113,279,664	—
	Others	4,823,532	—	—	277,415	5,100,948	¥1
	Total	70,202,407 (21,613,335)	122,457,789	44,070	437,493	193,141,761 (21,613,335)	1
Foreign	Sovereigns	—	6,171,140	—	579	6,171,720	—
	Financial institutions	1,090,300	5,258,542	53,395	852	6,403,091	—
	Others	1,155,831	16,462,088	24	7,359	17,625,303	—
	Total	2,246,131	27,891,771	53,420	8,792	30,200,114	—
Grand total		72,448,538 ¥(21,613,335)	¥150,349,561	¥97,490	¥446,286	223,341,876 ¥ (21,613,335)	¥1

		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

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				
	2015				
	Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	¥ 29,775,778 (21,613,335)	¥ 24,506,917	¥14,657	¥ 89,118	¥ 54,386,472 (21,613,335)
> One and ≤ three years	1,108,306	41,372,288	46,583	982	42,528,161
> Three and ≤ five years	847,301	25,132,535	31,227	66	26,011,131
> Five and ≤ seven years	233,257	20,057,101	5,021	—	20,295,381
> Seven and ≤ ten years	1,135,602	22,999,608	—	—	24,135,211
Over ten years	968,117	3,220,453	—	—	4,188,571
No designated term	38,380,173	13,060,655	—	356,117	51,796,947
Total	72,448,538 ¥(21,613,335)	¥150,349,561	¥97,490	¥446,286	223,341,876 ¥ (21,613,335)

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)

- 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.
5. Excludes intangible fixed assets that were subject to credit risk asset calculations under the interim measure.

Loan Write-Offs by Industry and Counterparty

There were no write-offs of loans during the fiscal years ended March 31, 2015 and 2014.

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	
	2015	2014
General reserve for possible loan losses	¥146	¥141
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	
	2015	2014
General reserve for possible loan losses	¥4	¥(66)
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Notes: 1. Breakdowns by domestic and overseas amounts are not disclosed as the Bank only booked general reserve for possible loan losses.

2. Since the reserves for possible loan losses noted are those for problem assets disclosed under the Financial Reconstruction Act, they do not match the figures for balance of reserve for possible loan losses and changes during the fiscal year on page 117.

By Industry

Balance at the end of the fiscal year

As of March 31

	Millions of yen	
	2015	2014
General reserve for possible loan losses	¥146	¥141
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	
	2015	2014
General reserve for possible loan losses	¥4	¥(66)
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Notes: 1. Breakdowns by industry are not disclosed as the Bank only booked general reserve for possible loan losses.

2. Since the reserves for possible loan losses noted are those for problem assets disclosed under the Financial Reconstruction Act, they do not match the figures for balance of reserve for possible loan losses and changes during the fiscal year on page 117.

Exposure by Risk Weight Classification

As of March 31

Risk weight	Millions of yen			
	2015		2014	
	Rated	Not rated	Rated	Not rated
0%	¥162,329,648	¥44,263,520	¥167,668,045	¥45,073,172
2%	—	—	—	—
4%	—	—	—	—
10%	11,588	4,233,987	941	4,464,314
20%	17,140,576	26,672	13,728,579	1,999
35%	—	—	—	—
50%	6,783,210	—	5,314,832	—
75%	—	—	—	—
100%	6,065,851	2,995,618	3,833,312	2,550,009
150%	524,295	—	229,138	—
250%	420,798	159,364	332,704	215,609
1250%	34	—	—	—
Others	45	—	4	—
Total	¥193,276,048	¥51,679,162	¥191,107,557	¥52,305,105

Notes: 1. Ratings are limited to those rated by qualified rating agencies.

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

3. The portion of exposure from assets qualified for credit risk mitigation methods is allocated to risk weight categories after the application of credit risk mitigation methods.

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

CREDIT RISK MITIGATION METHODS

Outline of Risk Management Policies and Procedures

The Bank applies "credit risk mitigation methods" as stipulated in the Capital Adequacy Notification in calculating its capital adequacy ratio. Credit risk mitigation methods involve taking into consideration the benefits of collateral and guarantees in the calculation of its capital adequacy ratio and can be appropriately applied to eligible financial collateral, the netting of loans against the Bank's self deposits, and guarantees and credit derivatives.

- **Categories of Eligible Financial Collateral**

Cash, self deposits, and securities are the only types of eligible financial collateral used by the Bank.

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

The Bank uses "the Simple Method" stipulated in the Capital Adequacy Notification when applying eligible financial collateral.

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

- **Outline of Policies and Procedures for the Netting of Loans and Self Deposits and the Types of Transactions and Scope for which Netting Can Be Applied**

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

Currently, there are no such transactions.

- **Explanation of the Credit Worthiness 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**

The principal credit risk mitigation method utilizes eligible financial collateral secured by cash and self deposits. As a result, there is no concentration of credit and market risk.

Exposure After Applying Credit Risk Mitigation

As of March 31

Item	Millions of yen			
	2015		2014	
	Exposure	%	Exposure	%
Eligible financial collateral	¥45,879,942	89.91	¥45,096,205	88.53
Guarantees	5,147,144	10.08	5,841,094	11.46
Total	¥51,027,087	100.00	¥50,937,299	100.00

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

DERIVATIVE TRANSACTIONS AND LONG-SETTLEMENT TRANSACTIONS

Outline of Risk Management Policies and Procedures

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

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

At the end of the fiscal year ended March 31, 2015, collateral provided for these derivative transactions amounted to ¥1,052,658 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 Limit and Risk Capital Allocation Method

The Bank assigns debtors credit ratings to all derivative transaction counterparties. The Bank sets credit limits based on these ratings and conducts regular monitoring on a daily basis to ensure appropriate management of credit risk. The Bank uses the Current Exposure Method in determining the amount of credit outstanding as part of its credit risk management. This method takes into consideration the market value and price fluctuation risk of derivative transactions.

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

Derivative Transactions and Long-Settlement Transactions

As of March 31

	Millions of yen	
	2015	2014
Gross replacement costs	¥ 69,867	¥ 5,407
Gross add-on amounts	200,973	217,524
Gross credit equivalents	270,841	222,931
Currency-related transactions	240,062	182,050
Interest rate-related transactions	30,778	40,880
Long-settlement transactions	—	—
Write-off of credit equivalent amount due to netting (deduction)	173,350	134,399
Net credit equivalents	97,490	88,531
Collateral held	15,928	1,312
Marketable securities	15,928	1,312
Net credit equivalent amounts (after considering credit risk mitigation benefits due to collateral)	97,490	88,531

Notes: 1. Credit equivalent amounts are calculated using the Current Exposure Method.

2. Derivative transactions and long-settlement transactions are recorded only for transactions that require the calculation of credit equivalent amounts.

3. Does not include exposure in funds that include investment trusts, etc.

4. Gross replacement costs for which reconstruction costs were less than zero are not included.

5. Credit risk mitigation benefits due to collateral are considered in risk weighting, but not in credit equivalent amounts.

6. There are no trades involving credit derivatives subject to calculation of credit equivalent amounts and credit derivatives used for taking into account credit risk mitigation effects.

7. Write-off of credit equivalent amount due to netting is equal to the figure obtained by subtracting credit equivalent amounts prior to credit risk mitigation with collateral from the sum of aggregated gross replacement costs and total gross add-ons.

SECURITIZATION EXPOSURE

Outline of Risk Management Policies and Risk Characteristics

The Bank is exposed to risk associated with securitization as an investor. For the acquisition of securitized instruments, the Bank examines closely the quality of underlying assets, the structure of senior and subordinate rights, and the details of the securitization scheme. In view of these procedures, it assigns ratings to debtors as with other marketable securities and makes acquisitions within the credit limits. Following acquisition, the Bank monitors deterioration in the quality of underlying assets, a change in the composition of underlying assets or other development. Furthermore, credit risks related to securitized instruments are included in the calculation of the credit risk amount, while related interest rate risks are included in the calculation of the market risk amount. In addition, the Bank also recognizes market liquidity risk. The status of market risk, credit risk and market liquidity risk is reported to the Executive Committee and other organizational bodies.

Re-securitization exposure is the same as securitization exposure.

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

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

Re-securitization exposure is the same as securitization exposure.

Policy on Using Securitization Transactions as a Credit Risk Mitigation Method

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

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

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

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

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

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

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

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

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

- Rating and Investment Information, Inc. (R&I)
- Japan Credit Rating Agency, Ltd. (JCR)
- Moody's Investors Service, Inc. (Moody's)
- 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	
	2015	2014
Mortgage loans	¥390,075	¥311,121
Auto loans	20,268	11,803
Leases	—	63
Accounts receivable	2,997	137
Corporate loans	94,677	94,783
Others	824	1,692
Total	¥508,842	¥419,601

Note: There are no off-balance sheet transactions.

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

As of March 31

Type of underlying assets	Millions of yen	
	2015	2014
Mortgage loans	¥3,726	¥4,346
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	—	—
Others	—	—
Total	¥3,726	¥4,346

Note: There are no off-balance sheet transactions.

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

As of March 31

Risk weight	Millions of yen			
	2015		2014	
	Balance	Capital requirements	Balance	Capital requirements
Less than 20%	¥ 95,501	¥ 382	¥ 96,476	¥ 385
20%	413,341	3,306	323,124	2,584
50%	—	—	—	—
100%	—	—	—	—
350%	—	—	—	—
1250%	—	—	—	—
Total	¥508,842	¥3,688	¥419,601	¥2,970

Notes: 1. There are no off-balance sheet transactions.

2. Capital requirements are calculated using the following formula:
Credit risk-weighted assets x 4%

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

As of March 31

Risk weight	Millions of yen			
	2015		2014	
	Balance	Capital requirements	Balance	Capital requirements
Less than 40%	—	—	—	—
40%	¥3,726	¥59	¥4,346	¥69
100%	—	—	—	—
225%	—	—	—	—
650%	—	—	—	—
1250%	—	—	—	—
Total	¥3,726	¥59	¥4,346	¥69

Notes: 1. There are no off-balance sheet transactions.

2. There were no credit risk mitigation methods applied to re-securitization exposure.

3. 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 63 (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 58–59) and Credit Risk Management (Pages 60–63).

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			
	2015		2014	
	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	/	¥935	/
Total	¥935	/	¥935	/

Notes: 1. Investments in stocks and other instruments in the banking book include exposures the Bank deems it extremely difficult to determine a fair value given the unavailability of market prices. Consequently, the fair value for these instruments is not provided, in the same way that fair value information on valuation methodology for financial instruments is not provided.

2. The figures in the above table do not include exposure to instruments embedded in investment trust, etc. The same applies below.

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

Years ended March 31

	Millions of yen	
	2015	2014
Gains (Losses):	—	—
Gains	—	—
Losses	—	—
Write-offs	—	—

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

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

As of March 31

	Millions of yen	
	2015	2014
Unrealized gains (losses) recognized on the balance sheets but not on the statements of income	—	—

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

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

As of March 31

	Millions of yen	
	2015	2014
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 58–59 (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 58–59 (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	
	2015	2014
Amount of loss (A)	¥ 770.5	¥1,069.1
Total capital (B)	8,274.0	9,404.6
Loss-to-capital ratio (A)/(B) (%)	9.31	11.36

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. The Bank has revised its interest rate shock scenario to use interbank interest rates for both assets and liabilities on and after March 31, 2015. As of March 31, 2014, the Bank used interest rates of JGBs, etc. for assets, and interbank interest rates for liabilities.

2. The Bank has applied an internal model to allocate the estimated balance and termination dates of liquid deposits that have remained on deposit in the Bank for a long term without being withdrawn, (so-called "core deposits"), and calculate the interest rate risk amount for them.

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

KEY FINANCIAL INDICATORS

Key Financial Indicators

For the six months ended September 30

	Millions of yen	
	2015	2014
Ordinary income	¥ 987,155	¥ 1,030,975
Operating profit (before provision for general reserve for possible loan losses)	227,812	256,283
Net operating profit	227,849	256,283
Net ordinary income	251,695	273,018
Net income	171,587	181,710
Capital stock	3,500,000	3,500,000
Shares outstanding (thousand shares)	4,500,000	150,000
Net assets	11,207,805	10,633,403
Total assets	207,232,518	205,662,555
Deposits	177,131,058	177,946,511
Loans	2,617,649	2,900,535
Securities	149,801,138	161,094,130
Capital adequacy ratio (non-consolidated, domestic standard)	30.45%	44.91%
Dividend payout ratio	—	—
Employees	13,215	13,234

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

2. 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.

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

EARNINGS

Income Analysis

For the six months ended September 30

	Millions of yen	
	2015	2014
Gross operating profit:	¥ 759,496	¥ 821,411
(Excluding gains (losses) on bonds)	754,164	821,327
Net interest income	699,430	777,119
Net fees and commissions	46,950	44,537
Net trading income	—	—
Net other operating income (loss)	13,115	(245)
(Gains (losses) on bonds)	5,332	83
General and administrative expenses:	(531,684)	(565,127)
Personnel expenses	(62,245)	(61,128)
Non-personnel expenses	(431,893)	(467,020)
Taxes and dues	(37,544)	(36,978)
Operating profit (before provision for general reserve for possible loan losses)	227,812	256,283
(Excluding gains (losses) on bonds)	222,480	256,199
Provision for general reserve for possible loan losses	37	—
Net operating profit:	227,849	256,283
Gains (losses) on bonds	5,332	83
Non-recurring gains (losses):	23,845	16,735
Gains (losses) on money held in trust	23,890	18,649
Other non-recurring gains (losses)	(44)	(1,913)
Net ordinary income	251,695	273,018
Extraordinary income (loss):	(767)	2,442
Gains (losses) on sales and disposal of fixed assets	(767)	2,451
Losses on impairment of fixed assets	(0)	(8)
Income before income taxes	250,927	275,461
Income taxes—current	(84,539)	(86,784)
Income taxes—deferred	5,198	(6,965)
Net income	171,587	181,710
Credit-related expenses:	21	(0)
Provision for general reserve for possible loan losses	21	(0)
Write-off of loans	—	—
Provision for specific reserve for possible loan losses	—	—
Recoveries of written-off loans	—	—

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

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

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

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

Gross Operating Profit and Gross Operating Profit Margin

For the six months ended September 30

	Millions of yen	
	2015	2014
Gross operating profit	¥759,496	¥821,411
Gross operating profit margin	0.75%	0.83%

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
 3. Gross operating profit margin is annualized.

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

For the six months ended September 30

	Millions of yen	
	2015	2014
Net interest income:	¥699,430	¥777,119
Interest income	881,872	949,448
Interest expenses	182,442	172,329
Net fees and commissions:	46,950	44,537
Fees and commissions income	63,127	59,721
Fees and commissions expenses	16,176	15,184
Net trading income:	—	—
Trading gains	—	—
Trading losses	—	—
Net other operating income (loss):	13,115	(245)
Other operating income	14,093	128
Other operating expenses	977	373

Note: Interest expenses exclude expenses corresponding to money held in trust (for the six months ended September 30, 2015, ¥4,561 million; for the six months ended September 30, 2014, ¥4,257 million).

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

For the six months ended September 30

	Millions of yen		
	2015		
	Average balance	Interest	Earnings yield
Interest-earning assets:	¥200,599,151	¥881,872	0.87%
Loans	2,731,047	13,224	0.96
Securities	153,327,338	844,957	1.09
Due from banks, etc.	35,874,261	19,298	0.10
Interest-bearing liabilities:	189,807,228	182,442	0.19
Deposits	177,712,386	118,218	0.13

	Millions of yen		
	2014		
	Average balance	Interest	Earnings yield
Interest-earning assets:	¥196,389,924	¥949,448	0.96%
Loans	3,043,264	16,109	1.05
Securities	163,076,916	917,811	1.12
Due from banks, etc.	22,888,967	11,684	0.10
Interest-bearing liabilities:	185,482,674	172,329	0.18
Deposits	177,022,448	121,636	0.13

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 (for the six months ended September 30, 2015, ¥2,349,941 million; for the six months ended September 30, 2014, ¥2,269,672 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (for the six months ended September 30, 2015, ¥2,349,941 million; for the six months ended September 30, 2014, ¥2,269,672 million) and the corresponding interest (for the six months ended September 30, 2015, ¥4,561 million; for the six months ended September 30, 2014, ¥4,257 million) are excluded from interest-bearing liabilities.

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

3. Earnings yield is annualized.

Changes in Interest Income and Expenses

For the six months ended September 30

	Millions of yen		
	2015		
	Balance-related change	Interest-related change	Net change
Interest income:	¥ 20,920	¥(88,496)	¥(67,575)
Loans	(1,575)	(1,308)	(2,884)
Securities	(54,023)	(18,830)	(72,853)
Due from banks, etc.	6,954	659	7,614
Interest expenses:	4,073	6,039	10,112
Deposits	476	(3,894)	(3,418)

	Millions of yen		
	2014		
	Balance-related change	Interest-related change	Net change
Interest income:	¥ 2,594	¥26,212	¥28,807
Loans	(2,967)	(686)	(3,653)
Securities	(47,667)	73,813	26,146
Due from banks, etc.	6,326	116	6,443
Interest expenses:	29	(4,831)	(4,802)
Deposits	193	(8,880)	(8,686)

Notes: 1. Factors that increase or decrease both balances and interest rates are allocated based on the proportion of the increase or decrease in the balance and interest rate.
2. Due from banks, etc. consists of negotiable certificates of deposit, Bank of Japan deposits, call loans and monetary claims bought.

General and Administrative Expenses

For the six months ended September 30

	Millions of yen			
	2015		2014	
	Amount	%	Amount	%
Personnel expenses:	¥ 61,153	11.52	¥ 60,613	10.73
Salaries and allowances	50,499	9.51	49,673	8.79
Non-personnel expenses:	431,893	81.39	467,020	82.71
Commissions on bank agency services paid to JAPAN POST Co., Ltd.	308,121	58.07	303,121	53.68
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (Note)	4,931	0.92	11,296	2.00
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	32,232	6.07	61,802	10.94
Rent for land, buildings and others	5,894	1.11	5,566	0.98
Expenses on consigned businesses	26,012	4.90	29,684	5.25
Depreciation and amortization	18,046	3.40	16,850	2.98
Communication and transportation expenses	9,703	1.82	10,057	1.78
Maintenance expenses	6,263	1.18	8,158	1.44
IT expenses	9,210	1.73	8,955	1.58
Taxes and dues	37,544	7.07	36,978	6.54
Total	¥530,592	100.00	¥564,612	100.00

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

DEPOSITS

Balances by Type of Deposit

As of September 30

Ending Balances

	Millions of yen			
	2015		2014	
	Amount	%	Amount	%
Liquid deposits:	¥ 61,567,367	34.75	¥ 61,751,632	34.70
Transfer deposits	12,200,220	6.88	12,678,639	7.12
Ordinary deposits, etc.	48,975,752	27.64	48,678,294	27.35
Savings deposits	391,394	0.22	394,698	0.22
Fixed-term deposits:	115,368,083	65.13	115,986,426	65.18
Time deposits	12,453,319	7.03	13,648,382	7.66
TEIGAKU deposits, etc.	102,913,436	58.10	102,336,171	57.50
Other deposits	195,607	0.11	208,452	0.11
Subtotal	177,131,058	100.00	177,946,511	100.00
Negotiable certificates of deposit	—	—	—	—
Total	¥177,131,058	100.00	¥177,946,511	100.00

For the six months ended September 30

Average Balances

	Millions of yen			
	2015		2014	
	Amount	%	Amount	%
Liquid deposits:	¥ 61,914,412	34.83	¥ 60,821,751	34.35
Transfer deposits	12,027,834	6.76	11,119,225	6.28
Ordinary deposits, etc.	49,493,636	27.85	49,306,320	27.85
Savings deposits	392,940	0.22	396,205	0.22
Fixed-term deposits:	115,600,550	65.04	115,974,337	65.51
Time deposits	12,666,467	7.12	14,149,298	7.99
TEIGAKU deposits, etc.	102,932,620	57.92	101,823,024	57.51
Other deposits	197,423	0.11	226,359	0.12
Subtotal	177,712,386	100.00	177,022,448	100.00
Negotiable certificates of deposit	—	—	—	—
Total	¥177,712,386	100.00	¥177,022,448	100.00

Time Deposits by Time to Maturity

As of September 30

		Millions of yen	
		2015	2014
Less than three months	Time deposits:	¥ 4,160,864	¥ 4,646,598
	Fixed interest rates	4,160,864	4,646,598
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Three and < six months	Time deposits:	2,461,780	2,886,788
	Fixed interest rates	2,461,780	2,886,788
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Six months and < one year	Time deposits:	4,163,915	4,477,000
	Fixed interest rates	4,163,915	4,477,000
	Floating interest rates	—	—
	Other time deposits	—	—
≥ One and < two years	Time deposits:	614,562	351,680
	Fixed interest rates	614,562	351,680
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Two and < three years	Time deposits:	589,858	619,254
	Fixed interest rates	589,858	619,254
	Floating interest rates	—	—
	Other time deposits	—	—
Three years or more	Time deposits:	462,337	667,060
	Fixed interest rates	462,337	667,060
	Floating interest rates	—	—
	Other time deposits	—	—
Total	Time deposits:	¥12,453,319	¥13,648,382
	Fixed interest rates	12,453,319	13,648,382
	Floating interest rates	—	—
	Other time deposits	—	—

TEIGAKU Deposits by Time to Maturity

As of September 30

	Millions of yen	
	2015	2014
Less than one year	¥ 3,625,367	¥ 2,111,186
≥ One and < three years	30,618,265	18,821,737
≥ Three and < five years	17,258,107	25,734,765
≥ Five and < seven years	24,075,186	24,634,010
Seven years or more	27,336,510	31,034,472
Total	¥102,913,436	¥102,336,171

- Notes: 1. TEIGAKU deposits and special deposits (equivalent to TEIGAKU savings) are based on the balance by remaining time to maturity.
 2. Special deposits are deposits received from the Management Organization corresponding to the Postal Savings Deposits that were passed on to the Management Organization by Japan Post Corporation.
 3. Figures have been calculated based on the assumption that all deposits will be held to maturity.

LOANS

Loans by Category

As of September 30

Ending Balances

	Millions of yen	
	2015	2014
Loans on notes	—	—
Loans on deeds	¥2,385,672	¥2,657,795
Overdrafts	231,977	242,740
Notes discounted	—	—
Total	¥2,617,649	¥2,900,535

For the six months ended September 30

Average Balances

	Millions of yen	
	2015	2014
Loans on notes	—	—
Loans on deeds	¥2,507,614	¥2,809,613
Overdrafts	223,432	233,651
Notes discounted	—	—
Total	¥2,731,047	¥3,043,264

Loans by Time to Maturity

As of September 30

		Millions of yen	
		2015	2014
One year or less	Loans:	¥ 409,017	¥ 409,805
	Floating interest rates	/	/
	Fixed interest rates	/	/
> One and ≤ three years	Loans:	471,821	333,024
	Floating interest rates	143,529	158,829
	Fixed interest rates	328,291	174,195
> Three and ≤ five years	Loans:	420,597	633,222
	Floating interest rates	3,300	58,665
	Fixed interest rates	417,297	574,557
> Five and ≤ seven years	Loans:	175,228	280,811
	Floating interest rates	17,854	—
	Fixed interest rates	157,373	280,811
> Seven and ≤ ten years	Loans:	581,524	473,837
	Floating interest rates	300	260
	Fixed interest rates	581,224	473,577
Over ten years	Loans:	559,460	769,833
	Floating interest rates	2,599	2,735
	Fixed interest rates	556,861	767,098
No designated term	Loans:	—	—
	Floating interest rates	—	—
	Fixed interest rates	—	—
Total		¥2,617,649	¥2,900,535

Notes: 1. Loans to the Management Organization include loans for which the interest rate is revised (5 years/10 years), and those loans are recorded as fixed interest rate loans.

2. Loans to depositors (maturities of two years or less) are treated as having time to maturity of one year or less.

3. Loans with maturities of one year or less have not been categorized into fixed and floating interest rate instruments.

Loans and Acceptances and Guarantees by Type of Collateral

As of September 30

Loans by Type of Collateral

	Millions of yen	
	2015	2014
Securities	¥ 98	¥ 106
Receivables	205,841	207,615
Merchandise	—	—
Real estate	—	—
Others	—	—
Subtotal	205,939	207,721
Guarantees	6,423	11,237
Credit	2,405,287	2,681,576
Total	¥2,617,649	¥2,900,535

Acceptances and Guarantees by Type of Collateral

	Millions of yen	
	2015	2014
Securities	—	—
Receivables	—	—
Merchandise	—	—
Real estate	—	—
Others	—	—
Subtotal	—	—
Guarantees	—	—
Credit	¥95,000	¥115,000
Total	¥95,000	¥115,000

Loans by Purpose

As of September 30

	Millions of yen			
	2015		2014	
	Amount	%	Amount	%
Funds for capital investment	¥ 22,414	0.85	¥ 4,735	0.16
Funds for working capital	2,595,235	99.14	2,895,800	99.83
Total	¥2,617,649	100.00	¥2,900,535	100.00

Loans by Industry

As of September 30

	Millions of yen			
	2015		2014	
	Amount	%	Amount	%
Agriculture, forestry, fisheries, and mining	—	—	—	—
Manufacturing	¥ 51,824	1.97	¥ 83,853	2.89
Utilities, information/communications, and transportation	87,426	3.33	70,668	2.43
Wholesale and retail	—	—	20,588	0.70
Finance and insurance	1,645,166	62.84	1,890,744	65.18
Construction and real estate	2,000	0.07	11,500	0.39
Services and goods rental/leasing	8,601	0.32	16,739	0.57
Central and local governments	610,234	23.31	595,482	20.53
Others	212,396	8.11	210,959	7.27
Total	¥2,617,649	100.00	¥2,900,535	100.00

Note: Of "Finance and insurance," loans to the Management Organization were ¥1,353,671 million and ¥1,626,878 million as of September 30, 2015 and September 30, 2014, respectively.

Loans to Individuals and Small and Medium-size Enterprises

As of September 30

	Millions of yen	
	2015	2014
Total loans (A)	¥2,617,649	¥2,900,535
Loans to individuals and small and medium-size enterprises (B)	¥ 209,096	¥ 210,959
(B)/(A)	7.98%	7.27%

Note: Individuals and small and medium-size enterprises are defined as companies with capital of ¥300 million or less (¥100 million or less for wholesalers and ¥50 million or less for retail and service businesses) or companies with full-time employees of 300 workers or less (100 employees or less for wholesalers, 50 employees or less for retail businesses, and 100 employees or less for service businesses) and individuals.

Risk-Monitored Loans

As of September 30

	Millions of yen	
	2015	2014
Loans to bankrupt borrowers	—	—
Non-accrual delinquent loans	¥0	—
Past-due loans for three months or more	—	—
Restructured loans	—	—
Total	¥0	—

Problem Assets Disclosed under the Financial Reconstruction Act

As of September 30

	Millions of yen	
	2015	2014
Loans to borrowers classified as bankrupt or quasi-bankrupt	—	—
Loans to borrowers classified as doubtful	¥ 0	—
Loans requiring close monitoring	—	—
Subtotal (A)	0	—
Loans to borrowers classified as normal	2,732,189	¥3,052,928
Total (B)	¥2,732,189	¥3,052,928
Non-performing loan ratio (A)/(B)	0.00%	—%

Reserve for Possible Loan Losses

For the six months ended September 30

	Millions of yen			
	2015			
	Balance at the beginning of the fiscal year	Increase during the period	Decrease during the period	Balance at the end of the period
General reserve for possible loan losses	¥ 315	¥ 278	¥ 315	¥ 278
Specific reserve for possible loan losses	740	773	740	773
Total	¥1,055	¥1,051	¥1,055	¥1,051

	Millions of yen			
	2014			
	Balance at the beginning of the fiscal year	Increase during the period	Decrease during the period	Balance at the end of the period
General reserve for possible loan losses	¥ 336	¥ 310	¥ 336	¥ 310
Specific reserve for possible loan losses	791	749	791	749
Total	¥1,127	¥1,060	¥1,127	¥1,060

SECURITIES

Average Balance by Type of Trading Book Securities

For the six months ended September 30

	Millions of yen	
	2015	2014
Trading book Japanese government bonds	¥177	¥334
Trading book Japanese local government bonds	—	—
Trading book government guaranteed bonds	—	—
Other trading book securities	—	—
Total	¥177	¥334

Securities by Time to Maturity

As of September 30

	Millions of yen							Total
	2015	2014	2013	2012	2011	2010	2009	
Japanese government bonds	¥13,014,280	¥27,446,502	¥14,641,576	¥20,822,726	¥14,939,609	¥1,908,919	—	¥ 92,773,615
Japanese local government bonds	576,410	1,111,990	2,111,801	1,057,518	597,201	34,271	—	5,489,193
Japanese corporate bonds	1,734,280	3,174,589	3,150,856	555,069	816,133	1,167,552	—	10,598,481
Other securities	2,361,080	6,196,205	6,798,400	2,722,321	2,150,153	111,756	¥20,599,928	40,939,847
Foreign bonds	2,361,080	6,148,183	6,798,400	2,722,321	2,150,153	111,756	—	20,291,896
Investment trusts	—	—	—	—	—	—	20,598,993	20,598,993
Foreign stocks	—	—	—	—	—	—	—	—
Total	¥17,686,051	¥37,929,288	¥26,702,635	¥25,157,636	¥18,503,097	¥3,222,500	¥20,599,928	¥149,801,138

	Millions of yen							Total
	2014	2013	2012	2011	2010	2009	2008	
Japanese government bonds	¥26,778,736	¥32,073,657	¥15,892,206	¥14,150,378	¥25,924,415	¥2,061,978	—	¥116,881,373
Japanese local government bonds	1,145,246	1,038,723	1,409,014	1,470,863	538,844	36,637	—	5,639,329
Japanese corporate bonds	2,210,935	2,432,646	3,853,660	986,380	735,156	1,148,068	—	11,366,848
Other securities	2,260,884	4,833,870	5,926,440	2,195,747	1,915,300	—	¥10,074,334	27,206,579
Foreign bonds	2,206,066	4,833,870	5,926,440	2,195,747	1,915,300	—	—	17,077,426
Investment trusts	—	—	—	—	—	—	10,047,106	10,047,106
Foreign stocks	—	—	—	—	—	—	—	—
Total	¥32,395,803	¥40,378,898	¥27,081,321	¥18,803,370	¥29,113,717	¥3,246,684	¥10,074,334	¥161,094,130

Balance by Type of Securities

As of September 30

Ending Balances

	Millions of yen	
	2015	2014
Japanese government bonds	¥ 92,773,615	¥116,881,373
Japanese local government bonds	5,489,193	5,639,329
Japanese corporate bonds	10,598,481	11,366,848
Other securities	40,939,847	27,206,579
Foreign bonds	20,291,896	17,077,426
Investment trusts	20,598,993	10,047,106
Foreign stocks	—	—
Total	¥149,801,138	¥161,094,130

For the six months ended September 30

Average Balances

	Millions of yen	
	2015	2014
Japanese government bonds	¥100,686,088	¥121,822,814
Japanese local government bonds	5,406,377	5,501,459
Japanese corporate bonds	10,633,946	11,419,101
Other securities	36,600,926	24,333,540
Foreign bonds	19,685,354	15,393,426
Investment trusts	16,823,173	8,860,676
Foreign stocks	—	—
Total	¥153,327,338	¥163,076,916

Asset Management Status

As of September 30

	Millions of yen			
	2015		2014	
	Outstanding assets	%	Outstanding assets	%
Due from banks, etc.	¥ 39,184,359	19.11	¥ 25,224,079	12.39
Call loans	1,830,314	0.89	2,185,342	1.07
Receivables under securities borrowing transactions	8,058,744	3.93	8,939,876	4.39
Money held in trust	3,479,636	1.69	3,097,175	1.52
Securities:	149,801,138	73.07	161,094,130	79.17
Japanese government bonds	92,773,615	45.25	116,881,373	57.44
Japanese local government bonds	5,489,193	2.67	5,639,329	2.77
Japanese corporate bonds	10,598,481	5.17	11,366,848	5.58
Other securities	40,939,847	19.97	27,206,579	13.37
Foreign bonds	20,291,896	9.89	17,077,426	8.39
Investment trusts	20,598,993	10.04	10,047,106	4.93
Loans	2,617,649	1.27	2,900,535	1.42
Others	16,291	0.00	34,834	0.01
Total	¥204,988,135	100.00	¥203,475,973	100.00

Notes: 1. Due from banks, etc. consists of negotiable certificates of deposit, Bank of Japan deposits and monetary claims bought.
2. Investment trusts are mainly invested in foreign bonds.

Foreign Bonds

As of September 30

Foreign Bonds by Currency

	Millions of yen			
	2015		2014	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥ 4,932,064	24.30	¥ 4,125,748	24.15
U.S. dollar	11,529,582	56.81	9,482,808	55.52
Euro	3,364,311	16.57	3,344,548	19.58
Others	465,937	2.29	124,321	0.72
Total	¥20,291,896	100.00	¥17,077,426	100.00

Money Held in Trust

As of September 30

Assets by Type

	Millions of yen			
	2015		2014	
	Outstanding assets	%	Outstanding assets	%
Domestic stocks	¥2,129,256	62.33	¥1,787,658	58.09
Domestic bonds	1,286,417	37.66	1,289,538	41.90
Foreign stocks	0	0.00	0	0.00
Total	¥3,415,674	100.00	¥3,077,197	100.00

Assets by Currency

	Millions of yen			
	2015		2014	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥3,415,673	99.99	¥3,077,196	99.99
U.S. dollar	—	—	—	—
Euro	0	0.00	0	0.00
Others	—	—	—	—
Total	¥3,415,674	100.00	¥3,077,197	100.00

Note: Cash and deposits are excluded.

Securitized Product Exposure

As of September 30, 2015 and September 30, 2014, 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 September 30

1. Securitized Products

		Billions of yen			
		2015			
Region		Acquisition cost (A)	Net unrealized gains (losses) (B)	(B)/(A)	Credit ratings
Domestic	Residential mortgage-backed securities (RMBS)	¥1,144.7	¥51.3	4.48%	AAA~AA
	Subprime loan related	—	—	—	—
	Collateralized loan obligations (CLO)	94.2	3.2	3.44	AA
	Other securitized products	22.0	0.0	0.00	AAA
	Commercial mortgage-backed securities (CMBS)	—	—	—	—
	Collateralized debt obligations (CDO)	3.5	0.1	4.85	AAA
	Subtotal	1,264.6	54.7	4.33	/
Overseas	Residential mortgage-backed securities (RMBS)	310.6	13.0	4.18	AAA
	Subprime loan related	—	—	—	—
	Subtotal	310.6	13.0	4.18	/
Total		¥1,575.2	¥67.8	4.30%	/

		Billions of yen			
		2014			
Region		Acquisition cost (A)	Net unrealized gains (losses) (B)	(B)/(A)	Credit ratings
Domestic	Residential mortgage-backed securities (RMBS)	¥1,120.2	¥ 52.3	4.67%	AAA~AA
	Subprime loan related	—	—	—	—
	Collateralized loan obligations (CLO)	94.3	4.1	4.44	AA
	Other securitized products	17.9	0.0	0.00	AAA
	Commercial mortgage-backed securities (CMBS)	—	—	—	—
	Collateralized debt obligations (CDO)	5.2	0.2	4.03	AAA
	Subtotal	1,237.7	56.7	4.58	/
Overseas	Residential mortgage-backed securities (RMBS)	280.9	52.8	18.82	AAA
	Subprime loan related	—	—	—	—
	Subtotal	280.9	52.8	18.82	/
Total		¥1,518.6	¥109.6	7.21%	/

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 auto loan claims and accounts receivable, etc.

5. Net unrealized gains (losses) include gains (losses) which are recognized in the statements of income by applying fair value hedge accounting. The amounts were ¥10.2 billion of profit as of September 30, 2015 and ¥48.4 billion of profit as of September 30, 2014.

2. Structured Investment Vehicles (SIVs)

There were no investments in SIVs.

3. Leveraged Loans

There were no outstanding leveraged loans.

4. Monoline Insurer Related Products

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

RATIOS

Net Ordinary Income to Assets and Equity

For the six months ended September 30

	%	
	2015	2014
Net ordinary income to assets	0.24	0.26
Net ordinary income to equity	4.39	4.93

Notes: 1. Net ordinary income to assets = net ordinary income / [(sum of total assets at the beginning and the end of the period) / 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 period) / 2] x 100
 3. Net ordinary income to assets and net ordinary income to equity are annualized.

Net Income to Assets and Equity

For the six months ended September 30

	%	
	2015	2014
Net income to assets (ROA)	0.16	0.17
Net income to equity (ROE)	2.99	3.28

Notes: 1. ROA = net income / [(sum of total assets at the beginning and the end of the period) / 2] x 100
 2. ROE = net income / [(sum of total net assets at the beginning and the end of the period) / 2] x 100
 3. ROA and ROE are annualized.

Overhead Ratio and Expense-to-Deposit Ratio

For the six months ended September 30

	%	
	2015	2014
Overhead ratio (OHR)	70.00	68.79
Expense-to-deposit ratio	0.59	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
 3. Expense-to-deposit ratio is annualized.

Interest Rate Spread

For the six months ended September 30

	%	
	2015	2014
Yield on interest-earning assets	0.87	0.96
Interest rate on interest-bearing liabilities	0.19	0.18
Interest rate spread	0.68	0.77

Note: Interest rate and yield are annualized.

Loan-Deposit Ratio

As of September 30

	Millions of yen	
	2015	2014
Loans (A)	¥ 2,617,649	¥ 2,900,535
Deposits (B)	177,131,058	177,946,511
Loan-deposit ratio (A)/(B)	1.47%	1.63%
Loan-deposit ratio (average for the period)	1.53%	1.71%

Security-Deposit Ratio

As of September 30

	Millions of yen	
	2015	2014
Securities (A)	¥149,801,138	¥161,094,130
Deposits (B)	177,131,058	177,946,511
Security-deposit ratio (A)/(B)	84.57%	90.52%
Security-deposit ratio (average for the period)	86.27%	92.12%

OTHERS

Over-the-Counter Sales of Japanese Government Bonds

For the six months ended September 30

	Millions of yen	
	2015	2014
Long-term bonds	¥19,549	¥ 26,755
Medium-term bonds	5,815	44,297
Bonds for individuals	58,756	79,003
Total	¥84,121	¥150,055

Domestic Exchanges

For the six months ended September 30

Remittances

	Millions of yen			
	2015		2014	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Sent	13,141	¥11,955,926	11,586	¥10,059,503
Received	35,742	8,476,817	31,921	7,325,727

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

Transfer Deposits

	Millions of yen			
	2015		2014	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
In-payment	592,655	¥33,466,993	594,087	¥31,645,218
Transfers	55,058	42,822,754	55,353	41,385,616
Out-payment	62,579	27,101,109	63,813	25,095,640

Ordinary Remittances and Postal Orders (TEIGAKU KOGAWASE)

	Millions of yen			
	2015		2014	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Ordinary remittances	592	¥12,150	904	¥20,164
Postal orders (TEIGAKU KOGAWASE)	8,080	4,575	8,603	4,792

Foreign Exchanges

For the six months ended September 30

	Millions of U.S. dollars			
	2015		2014	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Foreign exchanges	168	\$585	178	\$621

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

Investment Trusts Sales (Contract Basis)

For the six months ended September 30

	Millions of yen	
	2015	2014
Number of contracts (thousands)	581	490
Sales amount	¥231,492	¥170,508

As of September 30

	Millions of yen	
	2015	2014
Number of investment trust accounts (thousands)	680	654
Net assets	¥1,073,486	¥1,041,099

Other Businesses

Credit Cards

For the six months ended September 30

	Thousands	
	2015	2014
Number of cards issued	33	32

As of September 30

	Thousands	
	2015	2014
Number of cards issued (cumulative) (outstanding)	1,366	1,734

Mortgage Loans (as intermediary)

For the six months ended September 30

	Millions of yen	
	2015	2014
Amount of new credit extended	¥16,183	¥15,622

As of September 30

	Millions of yen	
	2015	2014
Amount of new credit extended (cumulative)	¥323,165	¥287,771

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

Variable Annuities Policies

For the six months ended September 30

	Millions of yen	
	2015	2014
Number of policies	8,981	5,841
Sales amount	¥48,092	¥32,683

As of September 30

	Millions of yen	
	2015	2014
Number of policies (cumulative)	74,537	59,410
Sales amount (cumulative)	¥393,545	¥311,221

CAPITAL POSITION

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

As of September 30

		Millions of yen			
		2015	Amounts excluded under transitional arrangements	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	¥ 8,451,773	/	¥ 8,277,180	/
	of which: Capital and capital surplus	7,796,285	/	7,796,285	/
	of which: Retained earnings	1,955,487	/	1,780,894	/
	of which: Treasury stock (deduction)	1,299,999	/	1,299,999	/
	of which: Cash dividends to be paid (deduction)	—	/	—	/
	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	278	/	310	/
	of which: General reserve for possible loan losses	278	/	310	/
	of which: Eligible reserve	—	/	—	/
	Eligible Non-cumulative perpetual preferred stock subject to phase out arrangement included in Core Capital: instruments and reserves	—	/	—	/
	Eligible capital instrument subject to phase out arrangement included in Core Capital: instruments and reserves	—	/	—	/
	Capital instrument issued through the measures for strengthening capital by public institutions included in Core Capital: instruments and reserves	—	/	—	/
	45% of revaluation reserve for land included in Core Capital: instruments and reserves	—	/	—	/
	Core Capital: instruments and reserves (A)	8,452,051	/	8,277,491	/
Core Capital: regulatory adjustments	Total intangible fixed assets (net of related tax liability, excluding those relating to mortgage servicing rights)	6,130	¥24,522	—	¥33,976
	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)	6,130	24,522	—	33,976
	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)	—	—	—	—	

		Millions of yen			
		2015	Amounts excluded under transitional arrangements	2014	Amounts excluded under transitional arrangements
Core Capital: regulatory adjustments	Amount exceeding the 10% threshold on specified items	—	—	—	—
	of which: Significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—
	of which: Mortgage servicing rights	—	—	—	—
	of which: Deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—
	Amount exceeding the 15% threshold on specified items	—	—	—	—
	of which: Significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—
	of which: Mortgage servicing rights	—	—	—	—
	of which: Deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—
	Core Capital: regulatory adjustments (B)		6,130	/	—
Total capital	Total capital (A)–(B)=(C)	¥ 8,445,921	/	¥ 8,277,491	/
Risk-weighted assets	Credit risk-weighted assets	¥24,723,231	/	¥15,380,442	/
	of which: Total of items included in risk-weighted assets subject to transitional arrangements	(244,018)	/	(506,383)	/
	of which: Intangible fixed assets other than goodwill and mortgage servicing rights (net of related tax liability)	24,522	/	33,976	/
	of which: Deferred tax assets (net of related tax liability)	—	/	—	/
	of which: Prepaid pension costs	—	/	—	/
	of which: Other Financial Institutions Exposures	(268,541)	/	(540,359)	/
	of which: Other than the above	—	/	—	/
	Market risk equivalent / 8%	—	/	—	/
	Operational risk equivalent / 8%	3,009,962	/	3,047,564	/
	Credit risk-weighted assets adjustments	—	/	—	/
Operational risk equivalent adjustments	—	/	—	/	
Total amount of risk-weighted assets (D)		¥27,733,194	/	¥18,428,007	/
Capital adequacy ratio	Capital adequacy ratio (C)/(D) (%)	30.45	/	44.91	/

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.

ASSESSMENT OF CAPITAL ADEQUACY

Total Required Capital (Non-Consolidated)

As of September 30

	Millions of yen	
	2015	2014
(1) Capital requirement for credit risk:	¥ 988,929	¥615,217
Portfolios applying the standardized approach	977,923	608,867
Securitization exposures	3,581	3,262
CVA risk equivalent	7,424	3,087
Central Counterparty-related exposures	0	—
(2) Capital requirement for market risk:	—	—
(3) Capital requirement for operational risk:	120,398	121,902
The basic indicator approach	120,398	121,902
(4) Total capital requirements (1) + (2) + (3)	¥1,109,327	¥737,120

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 September 30

Item	(Reference) Risk weight (%)	Millions of yen	
		2015	2014
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	19,682	14,804
4 Bank for International Settlements, etc.	0	0	—
5 Non-central government public sector entities	0	0	0
6 Foreign non-central government public sector entities	20–100	13,411	6,042
7 Multilateral Development Banks	0–100	15	21
8 Japan Finance Organization for Municipalities	10–20	2,893	2,749
9 Japanese government agencies	10–20	12,477	13,618
10 Three regional public corporations	20	228	204
11 Financial institutions and Type I Financial Instruments Business Operators	20–100	151,819	104,934
12 Corporates	20–100	515,607	329,645
13 Small and medium-size enterprises and individuals	75	—	—
14 Mortgage loans	35	—	—
15 Project finance (acquisition of real estate)	100	17,172	9,713
16 Past-due loans (three months or more)	50–150	78,881	15,509
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	59,698	41,672
Exposure to investments, etc.	100	59,698	41,672
Exposure to critical investments	1250	—	—
21 Other than above	100–250	88,510	66,646
Exposures to fund procurement methods by other financial institutions, etc., other than those corresponding to common shares, etc.	250	67,357	45,278
Exposures to specific items that are not included in adjustment items	250	9,531	10,630
Exposures other than those listed above	100	11,621	10,736
22 Securitization transactions (as originator)	20–1250	—	—
Re-securitization transactions	40–1250	—	—
23 Securitization transactions (as investor and other)	20–1250	3,581	3,262
Re-securitization transactions	40–1250	51	64
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	—	980	1,359
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	—	(10,741)	(21,614)
Total	—	¥954,219	¥588,570

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 September 30

Item	(Reference) Risk weight (%)	Millions of yen	
		2015	2014
1 Commitments cancelable automatically or unconditionally at any time	0	¥ 0	¥ 0
2 Commitments with an original maturity up to one year	20	—	—
3 Short-term trade contingent liabilities	20	—	—
4 Contingent liabilities arising from specific transactions	50	—	—
(Guaranteed principal amounts held in some trusts under the transitional provisions)	50	—	—
5 NIFs and RUFs	50	—	—
6 Commitments with an original maturity over one year	50	—	—
7 Contingent liabilities arising from directly substituted credit	100	10,063	8,485
(Secured with loan guarantees)	100	2,259	2,794
(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	6,063	3,830
8 Sale and repurchase agreements and asset sales with recourse (after deductions)	—	—	—
Assets sold with repurchase agreements or assets sold with right of claim (before deductions)	100	—	—
Deductions	—	—	—
9 Forward asset purchases, forward deposits and partly-paid shares and securities	100	0	0
10 Securities lending, cash or securities collateral provision, or repo-style transactions	100	12,270	12,988
11 Derivative transactions and long-settlement transactions	—	4,949	2,058
Current exposure method	—	4,949	2,058
Derivative transactions	—	4,949	2,058
(1) Foreign exchange-related transactions	—	5,996	2,582
(2) Interest rate-related transactions	—	552	485
(3) Gold-related transactions	—	—	—
(4) Equity-related transactions	—	—	—
(5) Precious metal-related transactions (excluding gold)	—	—	—
(6) Other commodity-related transactions	—	—	—
(7) Credit derivative transactions (counterparty risk)	—	35	22
Write-off of credit equivalent amounts under master netting agreement (deduction)	—	1,634	1,031
Long-settlement transactions	—	0	0
12 Unsettled transactions	—	0	27
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	—	¥27,284	¥23,559

Notes: 1. Capital requirements are calculated using the following formula:

Credit risk-weighted assets x 4%

2. Risk weightings are stipulated in the Capital Adequacy Notification.

CREDIT RISK

Exposure by Region, Industry, and Remaining Period

As of September 30

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

		Millions of yen					Past due loans for three months or more
		2015					
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total	
Domestic	Agriculture, forestry, fisheries, and mining	—	—	—	—	—	—
	Manufacturing	¥ 223,880	¥ 820,453	—	¥ 4,170	¥ 1,048,504	—
	Utilities, information/communications, and transportation	1,077,652	4,127,197	—	8,902	5,213,752	—
	Wholesale and retail	119,000	208,047	—	1	327,049	—
	Finance and insurance	67,678,645 (19,932,217)	5,123,554	¥ 45,076	22,189	72,869,465 (19,932,217)	—
	Construction and real estate	5,002	143,388	—	2	148,393	—
	Services and goods rental/leasing	9,453	478,835	—	64,481	552,770	—
	Central and local governments	1,942,932	97,238,113	—	22,442	99,203,488	—
	Others	4,699,551	—	—	286,116	4,985,668	¥1
	Total	75,756,118 (19,932,217)	108,139,589	45,076	408,307	184,349,092 (19,932,217)	1
Foreign	Sovereigns	—	6,450,866	—	662	6,451,529	—
	Financial institutions	1,493,894	5,862,506	71,202	504	7,428,107	—
	Others	1,306,007	24,627,651	17	152	25,933,827	—
	Total	2,799,901	36,941,024	71,219	1,319	39,813,465	—
Grand total		78,556,019 ¥(19,932,217)	¥145,080,614	¥116,295	¥409,627	224,162,557 ¥ (19,932,217)	¥1

		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	¥ 254,979	¥ 759,426	—	¥ 13	¥ 1,014,419	—
	Utilities, information/communications, and transportation	112,832	4,710,134	—	6,823	4,829,790	—
	Wholesale and retail	117,625	168,689	—	1	286,315	—
	Finance and insurance	53,390,888 (23,452,808)	5,246,315	¥43,147	22,503	58,702,856 (23,452,808)	—
	Construction and real estate	11,568	124,589	—	0	136,159	—
	Services and goods rental/leasing	1,036,892	462,611	—	57,586	1,557,090	—
	Central and local governments	2,192,547	121,452,087	—	24,711	123,669,346	—
	Others	4,561,325	—	—	295,305	4,856,630	¥ 0
	Total	61,678,660 (23,452,808)	132,923,854	43,147	406,945	195,052,608 (23,452,808)	0
	Foreign	Sovereigns	—	6,091,588	—	495	6,092,084
Financial institutions		1,178,797	4,866,969	42,403	1,180	6,089,351	—
Others		761,787	12,840,853	41	127	13,602,809	—
Total		1,940,584	23,799,411	42,445	1,803	25,784,244	—
Grand total		63,619,245 ¥(23,452,808)	¥156,723,266	¥85,592	¥408,748	220,836,853 ¥ (23,452,808)	¥ 0

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

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

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

4. "Past-due loans for three months or more" means the payment of principal or interest is past due three months or more from the day following the scheduled payment date.

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

6. Excludes intangible fixed assets that were subject to credit risk asset calculations under the interim measure.

As of September 30

Exposure by Time to Maturity

Time to maturity	Millions of yen				
	2015				
	Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	¥ 30,295,828 (19,932,217)	¥ 17,607,001	¥ 17,980	¥ 38,037	¥ 47,958,847 (19,932,217)
> One and ≤ three years	907,423	36,644,794	43,805	348	37,596,372
> Three and ≤ five years	845,761	25,314,670	52,616	56	26,213,104
> Five and ≤ seven years	259,616	24,275,502	1,725	—	24,536,844
> Seven and ≤ ten years	1,107,386	17,925,651	167	—	19,033,205
Over ten years	835,688	2,823,152	—	—	3,658,841
No designated term	44,304,314	20,489,842	—	371,184	65,165,340
Total	78,556,019 ¥(19,932,217)	¥145,080,614	¥116,295	¥409,627	224,162,557 ¥ (19,932,217)

Time to maturity	Millions of yen				
	2014				
	Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	¥ 28,843,929 (23,452,808)	¥ 32,328,766	¥ 2,815	¥ 44,781	¥ 61,220,292 (23,452,808)
> One and ≤ three years	730,998	39,580,357	38,718	1,822	40,351,897
> Three and ≤ five years	1,069,852	25,778,037	25,963	88	26,873,940
> Five and ≤ seven years	441,645	17,851,867	14,071	—	18,307,583
> Seven and ≤ ten years	904,041	28,522,378	4,024	—	29,430,444
Over ten years	1,289,056	2,918,786	—	—	4,207,842
No designated term	30,339,722	9,743,071	—	362,057	40,444,851
Total	63,619,245 ¥(23,452,808)	¥156,723,266	¥85,592	¥408,748	220,836,853 ¥ (23,452,808)

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

Loan Write-Offs by Industry and Counterparty

There were no write-offs of loans during the six months ended September 30, 2015 and 2014.

Six Months-Ended Balances and Changes During the Period of General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses, and Loan Loss Reserve for Specific Overseas Countries

By Region

Balance at the end of the period

As of September 30

	Millions of yen	
	2015	2014
General reserve for possible loan losses	¥125	¥142
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Changes during the period

For the six months ended September 30

	Millions of yen	
	2015	2014
General reserve for possible loan losses	¥(21)	¥0
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 period on page 154.

By Industry

Balance at the end of the period

As of September 30

	Millions of yen	
	2015	2014
General reserve for possible loan losses	¥125	¥142
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Changes during the period

For the six months ended September 30

	Millions of yen	
	2015	2014
General reserve for possible loan losses	¥(21)	¥0
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 period on page 154.

Exposure by Risk Weight Classification

As of September 30

Risk weight	Millions of yen			
	2015		2014	
	Rated	Not rated	Rated	Not rated
0%	¥154,064,485	¥43,323,821	¥165,312,371	¥44,640,092
2%	—	167	—	—
4%	—	—	—	—
10%	12,733	4,150,303	40	4,360,554
20%	20,324,015	28,575	15,713,250	25,615
35%	—	—	—	—
50%	7,590,614	—	6,122,459	—
75%	—	—	—	—
100%	9,196,387	3,320,092	4,602,042	2,695,561
150%	1,314,686	—	258,494	—
250%	605,262	163,629	347,631	211,468
1250%	—	—	17	—
Others	—	—	63	—
Total	¥193,108,184	¥50,986,590	¥192,356,370	¥51,933,291

Notes: 1. Ratings are limited to those rated by qualified rating agencies.

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

3. The portion of exposure from assets qualified for credit risk mitigation methods is allocated to risk weight categories after the application of credit risk mitigation methods.

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

CREDIT RISK MITIGATION METHODS

Exposure After Applying Credit Risk Mitigation

As of September 30

Item	Millions of yen			
	2015		2014	
	Exposure	%	Exposure	%
Eligible financial collateral	¥44,575,784	90.52	¥46,460,710	89.31
Guarantees	4,665,862	9.47	5,559,711	10.68
Total	¥49,241,647	100.00	¥52,020,421	100.00

Notes: 1. The categories of eligible financial collateral used by the Bank include cash, self deposits, and securities.

2. The major guarantor used by the Bank is the central government, etc. The use of these guarantors lowers risk weights more than non--guaranteed debts.

3. Does not include exposure in funds that include investment trusts, etc.

DERIVATIVE TRANSACTIONS AND LONG-SETTLEMENT TRANSACTIONS

Derivative Transactions and Long-Settlement Transactions

For the six months ended September 30

	Millions of yen	
	2015	2014
Gross replacement costs	¥ 77,288	¥ 2,577
Gross add-on amounts	243,299	212,006
Gross credit equivalents	320,587	214,584
Currency-related transactions	292,802	178,687
Interest rate-related transactions	27,785	35,896
Long-settlement transactions	0	0
Write-off of credit equivalent amount due to netting (deduction)	204,292	128,991
Net credit equivalents	116,295	85,592
Collateral held	12,753	40
Marketable securities	12,753	40
Net credit equivalent amounts (after considering credit risk mitigation benefits due to collateral)	¥116,295	¥ 85,592

Notes: 1. Credit equivalent amounts are calculated using the Current Exposure Method.

2. Derivative transactions and long-settlement transactions are recorded only for transactions that require the calculation of credit equivalent amounts.

3. Does not include exposure in funds that include investment trusts, etc.

4. Gross replacement costs for which reconstruction costs were less than zero are not included.

5. Credit risk mitigation benefits due to collateral are considered in risk weighting, but not in credit equivalent amounts.

6. There are no trades involving credit derivatives subject to calculation of credit equivalent amounts and credit derivatives used for taking into account credit risk mitigation effects.

7. Write-off of credit equivalent amount due to netting is equal to the figure obtained by subtracting credit equivalent amounts prior to credit risk mitigation with collateral from the sum of aggregated gross replacement costs and total gross add-ons.

SECURITIZATION EXPOSURE

Investments in Securitized Instruments

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

As of September 30

Type of underlying assets	Millions of yen	
	2015	2014
Mortgage loans	¥371,742	¥333,927
Auto loans	19,535	14,157
Leases	—	—
Accounts receivable	2,470	3,766
Corporate loans	94,631	94,737
Others	351	1,229
Total	¥488,730	¥447,819

Note: There are no off-balance sheet transactions.

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

As of September 30

Type of underlying assets	Millions of yen	
	2015	2014
Mortgage loans	¥3,219	¥4,007
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	—	—
Others	—	—
Total	¥3,219	¥4,007

Note: There are no off-balance sheet transactions.

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

As of September 30

Risk weight	Millions of yen			
	2015		2014	
	Balance	Capital requirements	Balance	Capital requirements
Less than 20%	¥ 94,982	¥ 379	¥ 95,967	¥ 383
20%	393,747	3,149	351,851	2,814
50%	—	—	—	—
100%	—	—	—	—
350%	—	—	—	—
1250%	—	—	—	—
Total	¥488,730	¥3,529	¥447,819	¥3,198

Notes: 1. There are no off-balance sheet transactions.
2. 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 September 30

Risk weight	Millions of yen			
	2015		2014	
	Balance	Capital requirements	Balance	Capital requirements
Less than 40%	—	—	—	—
40%	¥3,219	¥51	¥4,007	¥64
100%	—	—	—	—
225%	—	—	—	—
650%	—	—	—	—
1250%	—	—	—	—
Total	¥3,219	¥51	¥4,007	¥64

Notes: 1. There are no off-balance sheet transactions.
2. There were no credit risk mitigation methods applied to re-securitization exposure.
3. Capital requirements are calculated using the following formula:
Credit risk-weighted assets x 4%

INVESTMENTS, STOCK, AND OTHER EXPOSURE IN BANKING BOOK

1. Balance Sheet Amounts and Fair Values

As of September 30

	Millions of yen			
	2015		2014	
	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	/	¥935	/
Total	¥935	/	¥935	/

Notes: 1. Investments in stocks and other instruments in the banking book include exposures the Bank deems it extremely difficult to determine a fair value given the unavailability of market prices. Consequently, the fair value for these instruments is not provided, in the same way that fair value information on valuation methodology for financial instruments is not provided.

2. The figures in the above table do not include exposure to instruments embedded in investment trust, etc. The same applies below.

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

For the six months ended September 30

	Millions of yen	
	2015	2014
Gains (Losses):	—	—
Gains	—	—
Losses	—	—
Write-offs	—	—

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

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

As of September 30

	Millions of yen	
	2015	2014
Unrealized gains (losses) recognized on the balance sheets but not on the statements of income	—	—

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

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

As of September 30

	Millions of yen	
	2015	2014
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

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 September 30

	Billions of yen	
	2015	2014
Amount of loss (A)	¥1,042.6	¥1,362.9
Total capital (B)	8,445.9	8,277.4
Loss-to-capital ratio (A)/(B) (%)	12.34	16.46

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. The Bank has revised its interest rate shock scenario to use interbank interest rates for both assets and liabilities on and after March 31, 2015. As of March 31, 2014, the Bank used interest rates of JGBs, etc. for assets, and interbank interest rates for liabilities.

2. The Bank has applied an internal model to allocate the estimated balance and termination dates of liquid deposits that have remained on deposit in the Bank for a long term without being withdrawn, (so-called "core deposits"), and calculate the interest rate risk amount for them.

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

JAPAN POST GROUP CHARTER OF CORPORATE CONDUCT

(1) Earn the trust of customers

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

(2) Observe ethical standards

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

(3) Place priority on coexistence

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

(4) Create value

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

(5) Be a source of change

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

CORPORATE INFORMATION

CORPORATE DATA

Corporate name	JAPAN POST BANK Co., Ltd.
Date of establishment	September 1, 2006
President & CEO	Masatsugu Nagato
Address of head office	1-3-2 Kasumigaseki, Chiyoda-ku, Tokyo 100-8798, Japan
Capital	¥3,500,000 million (As of March 31, 2015)
Number of employees	12,889 (As of March 31, 2015)

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